Cabinet Office

# Achieving social impact at scale: Case studies of seven pioneering co-mingling social investment funds

May 2013

# Contents

# Forewords

# Ministerial foreword

Foundations across the world are increasingly looking towards social investment as a tool to help them to achieve their social mission. Alongside grants, growing numbers of foundations are providing different forms of repayable finance to social enterprises and charities to enable them to tackle poverty and disadvantage, strengthen communities, create jobs and drive growth.

The UK is emerging as a global hub for social investment. Foundations have played, and continue to play, a pioneering role in its development. New structures are being created both in the UK and overseas that are exploring and expanding the different ways foundations can use social investment to achieve their aims. One specific structure is the co-mingling social investment fund, where foundations invest alongside non-charity investors to achieve social outcomes. Co-mingling funds are exciting new models with huge potential to increase the impact that foundations have by bringing significant new capital into the market, as well as new skills and expertise.

This report showcases groundbreaking investments by foundations that point to wider opportunities for other socially-motivated investors to achieve more with their money. By shining a light on these we hope to share information and learning and contribute to the ongoing development of the social investment market. I am pleased that the Charity Commission has collaborated with us on this report and recognises the growing interest in social investment.

Of course, the best learning is by doing. This report is part of a wider piece of work to understand what role government can play in enabling more of these innovative investments. We hope to use the learning from it to develop, in partnership with leading foundations, easily replicable models of co-mingling funds that drive impact at scale.

**Nick Hurd MP**
**Minister for Civil Society**

# Association of Charitable Foundations foreword

As this report demonstrates, a number of charitable foundations are already engaged at the leading edge of the social investment market. Many others are keenly watching the space to see if getting involved has the potential to increase the impact they can achieve with their assets. But for all foundations, the overriding consideration is how they can best achieve their specific charitable objectives.

The case studies here seek to highlight the potential benefits co-mingling funds have to create collaboration across sectors and to leverage resources that might not otherwise be invested for a social purpose.

We believe this report will widen knowledge about the options available to UK charitable and other investors. We also hope that it will inform thinking more generally about whether social investment can serve as an additional tool for trustees who, in today's economic climate, are more eager than ever to learn about new ways that may help them achieve their mission.

**David Emerson**
**CEO, Association of Charitable Foundations**

# Achieving social impact at scale: Showcasing new and innovative social investment mechanisms

# Showcasing new and innovative social investment mechanisms

## Introduction

1 The social investment market is constantly evolving, with new products and structures being developed in the UK and around the world. Information about them is, however, hard to come by and as a result there is a risk that we will miss out on some of the innovation that is taking place.

2 This report aims to open up more information about developments in social investment by showcasing new fund structures: "co-mingling" social investment funds. These are structures that foundations around the world are using to enable them to leverage their experience and assets to bring new skills, expertise and finance from more commercial investors into delivering social impact. In many cases, co-mingling funds enable foundations to achieve impact at a scale that cannot be achieved with their philanthropic capital alone.

3 Through this report we highlight the development of different co-mingling funds, how they are being established, which foundations are investing in them, why, and to what effect. It aims to share learning and serve as a signpost for other foundations interested in engaging more deeply in the social investment market and increasing the impact that they can have with their assets.

4 The seven case studies in the second part of this report demonstrate three key developments in how foundations are using social investment as a tool for delivering impact. They demonstrate how foundations are:

- Developing creative new ways to use more of their assets to drive social change;
- Identifying what is distinct about their role as investors; and
- Playing a leading role in expanding the range of skills and capital in the social investment market.

## Social investment: a tool for tackling social issues

5 There are increasing numbers of social enterprises and enterprising charities developing innovative ways to tackle social problems through business. Like any venture, they need access to capital to grow. For a variety of reasons this can be more difficult than for mainstream enterprises. The social investment market has grown up to address this gap.

6 Making social investments is not always straightforward for foundations: resources, skills and culture, as well as regulatory and tax issues, can all create complexity. But foundations across the world are increasingly using it as a tool, alongside grant making, to achieve their social mission. Social investment enables foundations to use their assets more effectively to achieve their mission. Through social investment foundations can help to build the long term sustainability of charities and social enterprises in ways that grants cannot: by increasing cash flow, building financial capacity and helping to develop the track records necessary for social ventures to take on mainstream investment. It enables foundations to dedicate more of their assets towards achieving their charitable mission and to leverage finance from other sources into achieving social impact. And it can enable foundations to use their limited resources more efficiently by recycling funds to support more than one organisation and generate social impact many times over.

7 Foundations have been instrumental in the growth of the social investment market to date. As well as exploring structures for investing directly into social ventures to achieve a social purpose, foundations have also supported the broader development of the market through investments in new products such as social impact bonds, new specialist advisory services and new exchange platforms.

## Co-mingling funds: collaborating to achieve greater impact

8 Much of this innovation is happening in the UK: Big Society Capital is the first institution of its kind in the world; the first ever social impact bond was launched in Peterborough Prison; and the first social stock exchange is due to launch in London later this year. But in the same way that much of the world is following the UK's lead, embedding Britain as a global hub for social investment, there are interesting innovations happening elsewhere that we can learn from and build on.

9 In particular, many foundations in the US and in Europe are looking to drive social change at scale in ways that they cannot achieve with their own philanthropic resources. These foundations are exploring the potential of co-mingling social investment fund structures. Co-mingling funds create a multiplier effect for foundation capital by enabling it to attract significant amounts of investment from more commercial investors into projects seeking to deliver social impact.

10 There are a number of co-mingling funds around the world: at least two in the UK and upwards of 20 elsewhere, predominantly in the United States. These funds are of varying scale, target a range of social outcomes and are structured in different ways. However, they are characterised by common features:

- The foundation capital has a significant leverage affect: attracting external expertise and commercial capital into achieving social impact;
- The fund tackles social issues at a scale that cannot be achieved with philanthropic capital alone;
- The social mission of the fund is clearly defined and protected through the governance structure; and
- The fund seeks to achieve a financial return alongside a clear social impact.

11 Co-mingling funds are typically structured in one of three ways, differentiated primarily by the way in which foundation risk helps leverage commercial investment into the fund:

- Pari-passu (literally “on equal footing”)
  In these funds all investors invest on the same terms, taking the same risk in expectation of the same financial return. Foundations can act as the principal investor in a fund, sometimes providing a cornerstone investment. In so doing, foundations give confidence to others to invest and so leverage investment from more commercial investors.

- Risk-reward
  In these funds investors take on different risk according to their motivation. Investors with a focus on achieving social impact take a higher risk position in the fund and receive a greater proportion of any financial returns. This reduces the investment risk for more commercially focussed investors who receive a lower proportion of any financial returns. Foundations are prepared to take on a higher level of financial risk because they have built social return considerations into their calculation: for example leveraging commercial capital that otherwise would not be invested to deliver social change means social returns are delivered at a greater scale than if the foundations invested on their own.

- But-for (“but for” foundations, the commercial investors would not follow)
  Like Risk-reward funds, investors also enter But-for funds on differential terms according to their motivations. Foundations and other impact-focussed investors take a subordinate position in the fund which means that they accept a higher level of risk for a smaller proportion of any financial returns. They do this to attract commercially-focused capital that otherwise would not be invested, and so create a fund to tackle an issue at a scale that could otherwise not be achieved.

## Co-mingling funds in operation around the world

12 This report showcases seven case studies of existing co-mingling funds in which foundations from the UK and US have invested. The following narrative overviews of each of the seven funds aim to offer a clear and accessible explanation of the social purpose, structure and social impact of each fund. More detailed, technical case studies of each fund are set out in the second section of this report.

## Pari-passu funds

### Bridges Social Entrepreneurs Fund

Created in 2009, the Bridges Social Entrepreneurs Fund was the first UK-based fund dedicated to providing equity and equity-like growth capital to social enterprises. The fund was closed at £11.75M after receiving direct investments from foundations, corporates, high net worth individuals and Cabinet Office. The Esmée Fairbairn Foundation was one of the fund's lead investors.

Direct investments were all made into the fund on a pari-passu basis, meaning each investor takes the same level of risk and receives identical financial returns. The fund has also received an investment from the Bridges Charitable Trust, a repository for donations made by the Apax Foundation, the Generation Foundation and other individual investors. The Bridges Charitable Trust is a pari-passu investor in the fund, with financial returns accrued by the Trust used in accordance with the Trust's social mission.

The fund has so far committed a total of £7.2M, of which £3.5M has been invested in into nine social enterprises. Across the portfolio to date, the investees have supported 984 jobs and created 387 jobs, hired 284 formerly unemployed people and trained a total of 1,850 individuals.

### Big Issue Invest Social Enterprise Investment Fund

Big Issue Invest's Social Enterprise Investment Fund LP was created in 2010 and was recently closed at £9.2M. The fund aims to provide growth capital to UK based social enterprises with clear social missions, a sustainable business model and demonstrable social impact. It has received direct investment from a group of foundations, together with two banks and high net worth individuals. The Esmée Fairbairn Foundation was one of the fund's lead investors, which helped Big Issue Invest to raise further investment.

The direct investors all entered the fund as Limited Partners on a pari-passu basis, meaning they each take the same level of risk and receive equal financial returns. It was also possible to make donations into the fund through a Charities Trust. Distributions by the fund to the Charities Trust are paid into each donor's charity account. Donors can choose either to reinvest returns in subsequent Big Issue Invest funds or make donations to fulfil charitable purposes in line with the investment themes of the fund.

The fund has so far made nine investments with a total value of £2.85M. Its investees to date employ 323 more people since receiving investment from the fund.

## Risk-reward funds

### African Agricultural Capital Fund

Established in 2011, the African Agricultural Capital Fund (AACF) is a $25M fund aiming to improve the lives of at least 250,000 smallholder farmers in East Africa by investing in small and medium sized enterprises (SME) that provide farmers with increased access to goods, services and markets. The fund uses a "Risk-reward structure", whereby three foundation investors (Gatsby Foundation, Rockefeller Foundation and the Bill and Melinda Gates Foundation) have taken a higher risk position and correspondingly receive a higher rate of return than the fund's commercially oriented investor, JP Morgan. In taking a higher risk position, the foundations helped to leverage JP Morgan's investment by reducing the financial risk applicable to it. JP Morgan's investment was de-risked further by a 50% USAID guarantee.

The AACF is a successor to the Gatsby Foundation and Rockefeller Foundation convened African Agricultural Capital Ltd, the first SME fund focussed on agriculture in the region. Gatsby and Rockefeller were able to leverage their knowledge and experience of investing in East Africa to engage the support of the Bill and Melinda Gates Foundation, JP Morgan and USAID for the AACF project.

The fund has made four investments to date, two in Kenya and two in Uganda, totalling $6M. It aims to make 20 investments in total.

### California FreshWorks Fund

The California FreshWorks Fund is a $270M+ fund aiming to increase the availability of fresh food in communities where residents do not live close to affordable and healthy food retailers. It makes loans and grants to healthy food retailers to finance renovation and expansion of existing shops, develop new shops and make innovations in fresh food retailing.

The fund was convened by the California Endowment, a foundation aiming to improve the health of all Californians. It uses a sophisticated structure that suits the needs of a broad cohort of investors, including foundations, banks and public-funded bodies.

Foundations, including the California Endowment, have taken higher risk and junior positions in the fund to help leverage commercial capital. The California Endowment (together with the Calvert Foundation) has also ensured community stakeholders can invest in the fund for as little as $20. Furthermore, the California Endowment has used its influence and knowledge of the space to convene a group of partners that provide the fund with technical support.

The fund has made 11 investments since its inception, totalling $32.5M. This has created or supported 1,118 jobs and provided improved access to healthy foods for 1.96M people.

## But-for funds

### Global Health Investment Fund

The Global Health Investment Fund has been established to accelerate the development of drugs, vaccines and diagnostics for diseases that disproportionately affect developing countries through the provision of capital to products in the last stages of their clinical development. The fund's development has been sponsored by the Bill and Melinda Gates Foundation and Grand Challenges Canada, which see the fund as a cutting-edge alternative to traditional grant-based funding for global health. The fund is owned by a new US not-for-profit corporation which has been endowed by KfW of Germany. This entity is an investor in the fund and receives a 20% carry on the fund's performance.

The fund has so far received direct investments on a pari-passu basis from foundations, high net worth individuals, government supported bodies and corporates. The Gates Foundation, together with the Swedish International Development Agency (SIDA), has substantially reduced the risk for investors making direct commitments to the fund by committing to providing a first loss guarantee and a risk share, thereafter. In providing a guarantee and agreeing to share further losses with the fund's direct investors, the Gates Foundation and SIDA were able to leverage investment which would otherwise not have been invested in the fund.

The Gates Foundation has also leveraged its network and expertise to assemble support from a range of global health and finance experts. The fund's board of directors and scientific advisory committee, for example, includes representatives from GlaxoSmithKline and Novartis, two of the world's leading pharmaceutical companies, and former leaders in the field of finance from Goldman Sachs, and MPM Capital, a life-science focused venture firm.

Lion's Head Global Partners via LHGP Asset Management LLP, authorised and regulated by the UK FCA, is the fund's investment manager.

### New York City Acquisition Fund

The New York City Acquisition Fund was established to overcome the shortage of affordable housing in New York by providing financing for both not-for-profit and for-profit developers to refurbish existing affordable housing units or construct new affordable housing.

The fund was closed at c. $192M in 2006 after being capitalised by a consortium of banks. A group of foundations (including Ford Foundation, Rockefeller Foundation and FB Heron Foundation) together with the City of New York also provided a $40M pool of capital to guarantee the investment made by the bank consortium, reducing the bank consortium's risk. In providing the guarantee pool, the foundations and City of New York were able to leverage senior debt from the banks that 'but for' the guarantee, would not be available for this type of lending.

The fund has so far created or preserved 5,500 affordable housing units.

### Deutsche Bank Eye Fund

The Eye Fund (I) is a $14.8M fund aiming to restore and improve the sight of low-income people across the developing world by providing finance to eye care organisations (ECOs) which provide affordable and sustainable sight saving surgery. It was launched in collaboration with Deutsche Bank and Ashoka, a global organisation that identifies and invests in innovative ideas for solving social problems. The Eye Fund was the first fund to pioneer the But-for structure in the social investment space, where foundations (and in this instance, international development agencies) invested on subordinate terms to leverage larger volumes of commercial investment. Technical support for the fund and its investees is provided by the International Agency for the Prevention of Blindness (IAPB).

The fund is now fully invested, having made three investments ranging from $250,000 to $7M in ECOs in China, Nigeria and Paraguay. The fund invested in ECOs which have implemented a sustainable approach to providing eye care for the poor, whereby higher income patients subsidise the treatment costs of lower income patients.

The ECOs which have received investment through the Eye Fund provide approximately 10,000 subsidised surgeries and 100,000 subsidised treatments each year.

## Social investment: An evolving tool for foundations to achieve social impact

13 The co-mingling funds profiled in this report point to a key aspect of the next stage in the evolution of the social investment market. They highlight three important developments in the way that foundations are using social investment as a tool for achieving social impact, as well as the changing role that foundations are playing in the social investment market. In particular, foundations are:

- **Developing new ways to use more of their assets to achieve social impact.** By driving the development of new co-mingling fund structures, foundations are creating mechanisms through which they are able to unlock more of their endowment capital in pursuit of their charitable mission. They are also demonstrating that the existing regulatory framework allows them to go further and invest in innovative and more flexible ways. In time this will open up opportunities to other foundation investors by reducing the complexity and cost of launching new funds.

*For example: UK foundations including Esmée Fairbairn Foundation have been lead investors in both the Bridges Social Entrepreneurs Fund and Big Issue Social Enterprise Investment Fund within the existing UK regulatory framework.*

- **Identifying what is distinct about their role as investors.** Foundations are exploring the added value that they can bring through their ability to invest more flexibly than other investors and so leverage new skills and resources into tackling social problems. They are taking into account both financial and social considerations when assessing risk and return and so they are able to invest on different terms to other investors. In many cases this multiplies the impact of their assets by creating opportunities for other investors who would not otherwise invest.

*For example: the foundations investing in the New York City Acquisition Fund invested on terms that enabled them to leverage significant levels of capital from mainstream investors who would otherwise not have been prepared to invest in affordable housing. The foundations were able to create a fund to support the development of affordable housing at a scale that could not have been achieved with their own relatively limited resources alone.*

- **Playing a leading role in expanding the range of skills and capital in the social investment market**. Foundations are increasingly developing new structures that enable them to leverage investment from new and bigger sources that have not previously put capital towards achieving social goals. This is also attracting new skills and knowledge into the social investment market.

*For example: the Gatsby Foundation not only invested directly into the African Agricultural Capital Fund, but also used its networks, knowledge and experience of investing in East Africa to attract major partners to the project, including JP Morgan and the Bill and Melinda Gates Foundation.*

## Summary: Looking ahead

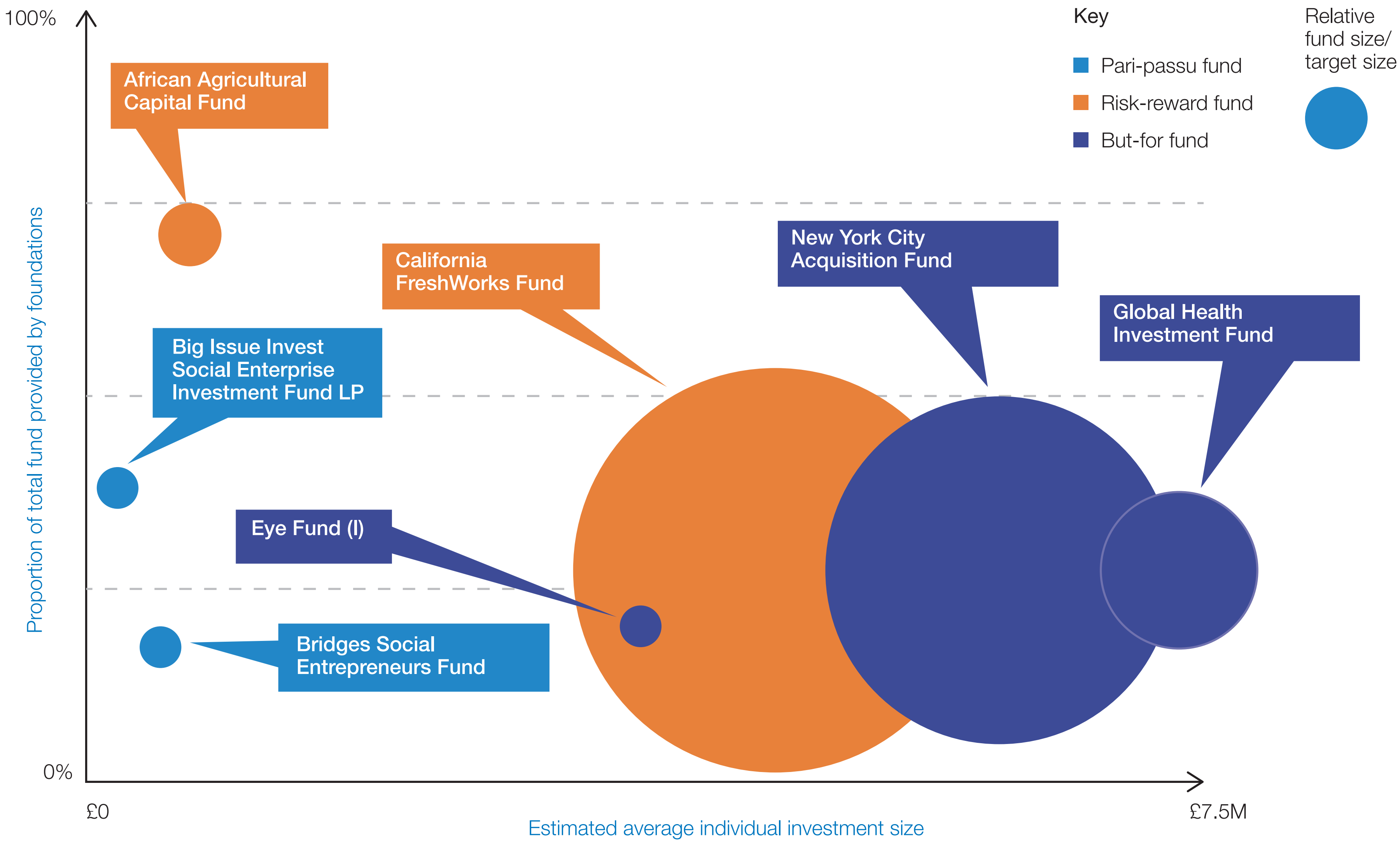
14 Interest in social investment among foundations in the UK is growing, and those foundations that are actively engaged continue to look for new ways to use social investment to increase their impact. There are, however, a relatively limited number of UK foundations making social investments.

15 The co-mingling funds profiled in this report demonstrate the ways in which foundations that are using social investment as a tool for achieving social impact are identifying what is distinct about their role as investors.

16 Co-mingling funds are new structures and through this report we hope to increase awareness and share learning about them. Cabinet Office is also aiming to contribute to wider understanding of the opportunities and risks presented by co-mingling funds by working with leading foundations to pilot a new co-mingling fund in the UK. We plan to release a report which sets out what we have learned from the pilot process.

# Seven case studies of pioneering co-mingling funds

# Overview



100%
0%
£0
£7.5M
Proportion of total fund provided by foundations
Estimated average individual investment size
Key
Pari-passu fund
Risk-reward fund
But-for fund
Relative fund size/ target size
African Agricultural Capital Fund
California FreshWorks Fund
New York City Acquisition Fund
Global Health Investment Fund
Big Issue Invest Social Enterprise Investment Fund LP
Eye Fund (I)
Bridges Social Entrepreneurs Fund

# Bridges Social Entrepreneurs Fund

## Overview

First UK based co-mingling fund established specifically to provide financing for social enterprises in the UK. The fund measures the social impact of its investees using a sophisticated IMPACT Scorecard system.

## Social Impact

- The Bridges Social Entrepreneurs Fund aims to address the funding gap for social enterprises looking to scale up but unable to attract commercial equity because they are illiquid investments or cannot generate market rate returns
- Potential investees must have a clear social mission (protected in their legal structure) and the ability to grow to scale to increase their social impact
- Social impact delivered by the fund is measured using Bridges Ventures' Social IMPACT Scorecard, which selects Key Performance Indicators that determine whether an investee is achieving impact through what it sells or where it is located. The Scorecard also identifies opportunities for the investee companies to create additional social value
- Across the portfolio to date, investees have supported 984 jobs and created 387 jobs, hired 284 formerly unemployed people, trained a total of 1,850 individuals of whom 267 were formerly unemployed and able to find jobs elsewhere due to the training provided, provided domiciliary care to 879 people and provided community access via 1,283 passenger trips for disadvantaged individuals

## Underlying Investments

- The fund provides financing to UK based social enterprises through making equity or quasi-equity investments with flexible structures (such as unsecured debt with royalty payments that rise with revenues)
- Bridges Ventures also provides strategic and operational assistance to investees
- 10 to 15 investments will be made over the fund's first five years
- The maximum investment size is £1.5M
- The fund has committed a total of £7.2M to date, of which £3.5M has been invested into nine social enterprises

## Structure

- The fund has a pari-passu structure, where all investors invest on equal terms as Limited Partners
- It has received direct investments from the Esmée Fairbairn Foundation, Nesta, the JP Morgan Social Finance Unit, Deutsche Bank, Cabinet Office and high net worth individuals
- The fund has also received an investment from the Bridges Charitable Trust, which is a repository for donations. Donations into the fund were made by the Apax Foundation, the Generation Foundation and other individuals. The Charitable Trust is a Limited Partner in the fund and financial returns received by the Trust are used in accordance with the Trust's social mission
- Esmée Fairbairn Foundation was a lead investor in the fund which helped to leverage further investment

### Foundation perspective

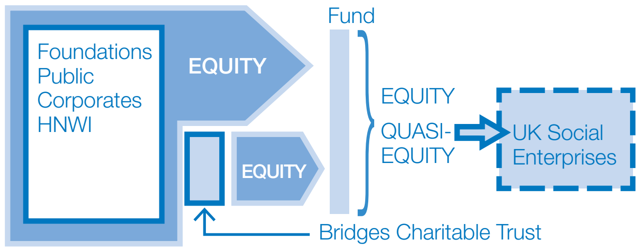
"Our activity in the social investment market has three broad objectives. The first is to make our money work harder (because the funds can be recycled). The second objective is to support the development of new sources of funds for the voluntary sector by attracting investment finance even though it may achieve lower rates of return than more conventional investments. Our third objective is to help grow and support this fledgling market in keeping with our interest in the sustainability of the voluntary sector and our commitment to taking risks."
– Esmée Fairbairn Foundation

## Pari-passu fund

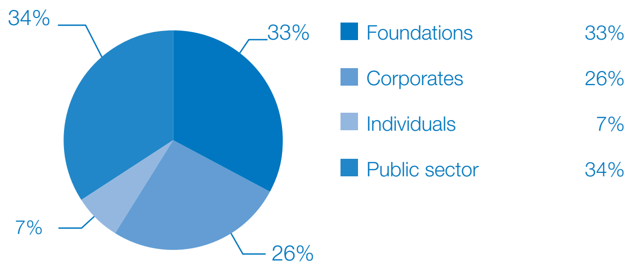
### Key facts

- **Inception date:** 2009
- **Fund size:** £11.75M (closed)
- **Minimum investor commitment:** £50K
- **Investment manager:** Bridges Ventures Ltd
- **Fund constitution:** Limited Partnership registered in the UK
- **Term:** 10 years
- **Time to structure:** 18 months
- **Cost to structure:** £100K

### Fund structure




### Investor distribution




Note: this distribution includes investment made directly into fund

# Big Issue Invest Social Enterprise Investment Fund LP

## Pari-passu fund

### Overview

Second UK based co-mingling fund specifically created to provide finance for UK based social enterprises. The fund received direct investment from foundations, corporates and individuals. It was also possible to make donations into the fund through a Charities Trust.

### Social Impact

- The Big Issue Invest Social Enterprise Investment Fund LP provides growth capital to UK based social enterprises with clear social missions, a sustainable business model and demonstrable social impact
- Big Issue Invest specifies five priority mission areas where it aims to deliver social impact: Jobs, Education and Training; Health and Social Care; Community-Driven Environment; Financial Inclusion; and Community Development. Investment eligibility is dependent upon a social enterprise having the potential to deliver significant impact in at least one of these priority areas
- The fund uses a performance measurement system to assess social impact, developed in cooperation with Investing for Good, an impact investment advisory firm
- Big Issue Invest and investees agree the impact targets each social enterprise is expected to meet during the period of investment
- Investees to date employ 323 more people since receiving investment from the fund

### Underlying Investments

- The fund provides growth capital to social enterprises based in the UK by providing medium to long term debt (both secured and unsecured), quasi-equity and equity investments
- Big Issue Invest also actively supports investees, typically through board representation
- Investments amounts are generally £100K – £500K
- Approximately 20 to 25 investments will be made over fund's first four years
- Nine investments had been made as at 15 March 2013 with a total value of £2.85M

### Structure

- The fund has received direct investment from foundations, high net worth individuals, HSBC and Deutsche Bank, all on a pari-passu basis
- Esmée Fairbairn Foundation was a lead investor in the fund which helped to leverage investment from other investors
- Individuals were also able to contribute to the fund through a Charities Trust. Distributions by the fund to the Charities Trust are paid into each donor's charity account. Donors may choose either to reinvest returns in subsequent Big Issue Invest funds or make donations to fulfil charitable purposes in line with the investment themes of the fund

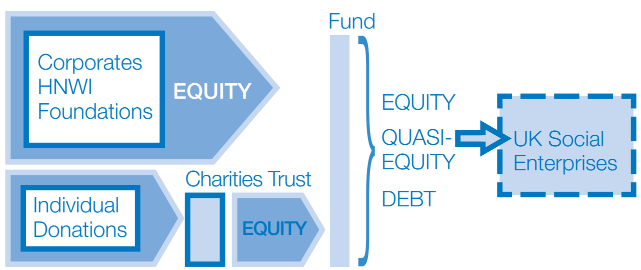
### Foundation perspective

"The Trustees of the LankellyChase Foundation decided to invest £200,000 in June 2011. The Social Enterprise Investment Fund provided an opportunity to collaborate and share knowledge with other social investors supported by the experienced management team at Big Issue Invest. It forms an important part of our emerging portfolio of social investments. To date the Foundation has committed £2M out of a designated Social Investment Fund of £5M which represents approximately 5% of the value of the endowment." – **Brian Whittaker, Programme Director: Social and Responsible Investment, The LankellyChase Foundation**

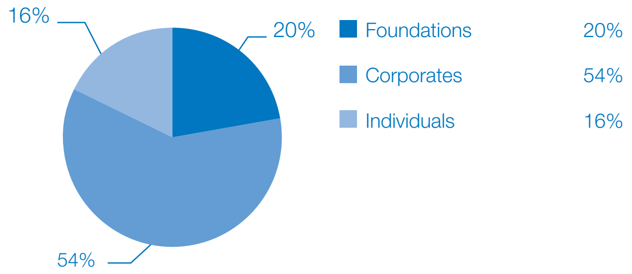
### Key facts

**Inception date:** June 2010
**Fund size:** c.£9.2M (closed)
**Minimum direct commitment:** £50K
**Minimum donation:** £1,000
**Target investment return:** return of committed capital together with a reasonable annual financial return, targeted at least 5%
**Investment manager:** CCLA Investment Management
**Appointed Representative:** Big Issue Invest
**Fund constitution:** Limited Partnership registered in England
**Term:** 10 years
**Time to structure:** 2 years
**Cost to structure:** £150-200K (of which 70% was pro bono support)

### Fund structure




### Investor distribution




Note: this distribution includes investment made directly into fund

# African Agricultural Capital Fund

**Risk-reward fund**

## Overview

First co-mingling fund focussing on East Africa to adopt "risk-reward" structure, where foundations take a higher risk and higher reward position to leverage commercial investment. The fund is aiming to improve the lives of 250,000 smallholder farmers over 10 years.

## Social Impact

- The African Agricultural Capital Fund (AACF) invests in agriculture related Small to Medium Sized Enterprises (SMEs) in East Africa which provide farmers with improved access to goods, services and markets
- The social mission of the fund has been locked in through governance mechanisms which ensure the fund manager, Pearl Capital Partners (PCP), prioritises investments with high potential for social impact. These governance mechanisms include:
  - An Impact Committee (to evaluate and approve prospective investments from a social impact perspective); and
  - Portfolio-Level Social Impact Targets (to improve the lives of at least 250,000 smallholder farmer households within five years by realising an increase in income of at least $80 per household)
- AACF's development was driven by the Gatsby Foundation's desire to scale Pearl Capital Partners' work: Gatsby helped create PCP out of its original investment in African Agricultural Capital Ltd, the first SME fund focused on agriculture in the region. The development of this fund was also supported by Rockefeller Foundation. Gatsby believes PCP has the capacity to improve the lives of significant numbers of smallholder farmers in East Africa
- AACF has a broader goal of increasing the agricultural sector's financial viability in East Africa and demonstrating the sector as an investible opportunity and so attract further investment and expertise

## Underlying Investments

- The fund invests in agriculture based SMEs through making debt, equity or quasi-equity investments
- These investments are intended to facilitate the growth of SMEs so they can scale their engagement with smallholder farmers
- Four investments have been made since inception (two in Kenya and two in Uganda), totalling $6M
- The fund aims to make 20 investment in total of between $200K and $2.5M each

## Structure

- The AACF has a risk-reward structure, where three foundations (Gatsby Foundation, Rockefeller Foundation and the Bill and Melinda Gates Foundation) have taken a higher risk and higher reward position in the fund than JP Morgan, a commercial investor. In taking a higher risk position, the foundations were able to help leverage JP Morgan's investment
- Gatsby Foundation ($5M), Rockefeller Foundation ($2M) and Gates Foundation ($10M) purchased equity in the fund
- JP Morgan invested $8M as senior unsecured debt at a below market rate. This investment is 50% guaranteed by USAID
- USAID also grant funded a $1.5M Technical Assistance Facility which provides investees with agricultural expertise and business and finance training to help sustain and improve their operations and commercial viability

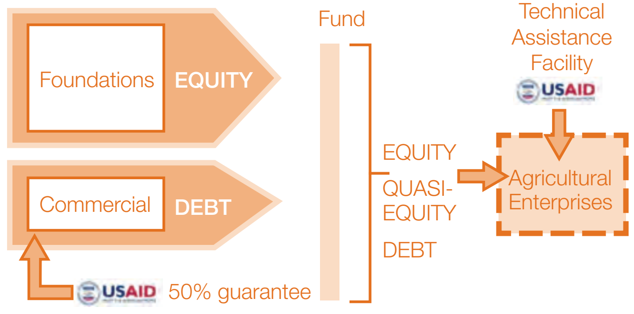
### Foundation perspective

"The AACF deal structure enabled us to scale up the work we started in creating African Agricultural Capital in 2006, with the objective to improve the lives of a large number of smallholder farmers. The African agriculture sector has the ability to absorb commercial capital aimed at creating social impact; yet because few have made investments to date, the sector's financial viability isn't yet proven. This blended capital deal can demonstrate to other investors that there is opportunity in this sector, and will build fund management capacity in the region to manage investments for both impact and financial return." – **Ian Anderson, Africa Programme Manager, Gatsby Foundation**

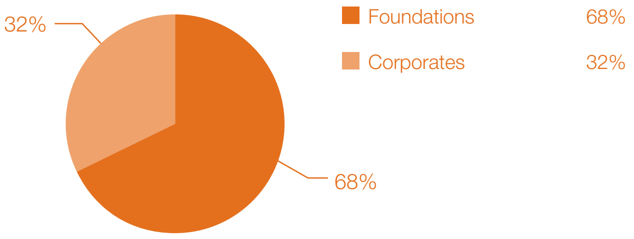
### Key facts

**Inception date:** 2011
**Fund size:** $25M (closed)
**Minimum investor commitment:** n/a
**Target investment return:** 10-15% net per annum
**Investment manager:** Pearl Capital Partners, based in Uganda
**Fund constitution:** Limited Liability Corporation (LLC) registered in Mauritius
**Term:** 10 years +2 possible extensions
**Time to structure:** c. 12 months
**Cost to structure:** c.$300K

### Fund structure




### Investor distribution




Note: this distribution includes investment made directly into fund

# California FreshWorks Fund

## Risk-reward fund

### Overview

Sophisticated structure convened by the California Endowment to improve access to healthy food for low income communities in California. The fund has enabled foundations to leverage significant commercial capital. It is also possible for community stakeholders to invest in the fund with as little as $20.

### Social Impact

- The California FreshWorks Fund aims to increase the availability of fresh food in low income communities throughout California where residents do not live in close proximity to affordable and healthy food. It does this by providing financing to healthy food retailers
- The fund's social impact is measured through a tracking, reporting and monitoring framework developed by the California Endowment and other founding partners
- The fund has so far helped to create or support 1,118 jobs and 291,578 sq. ft. of new retail space that provides increased access to healthy food for over 1.96M people

### Underlying Investments

- The FreshWorks Fund makes loans and grants to healthy food retailers to finance renovation and expansion of existing shops, develop new shops and make innovations in fresh food retailing
- Loans range from $250K to $8.75M. Grants from $5K to $50K
- The majority of investees are grocery chains with three to 30 shops
- The fund has made 11 investments to date, totalling $32.5M ($32.256M loans, $160K grants)

### Structure

- The fund's structure has been designed to suit the needs of a broad cohort of investors, including foundations, banks and public-funded bodies. The California Endowment (together with Calvert Foundation) has also ensured community stakeholders can invest in the fund for as little as $20
- The fund's capital structure is comprised of three pools of capital:
  - A Term Debt Facility ($125M);
  - A Leveraged Debt and Tax Credit Equity pool for "New Market Tax Credit" transactions ($126M); and
  - A Programme Related Investment (PRI) and Grant pool ($25.2M)
- Foundations, including The California Endowment, have taken higher risk and junior positions in the Term Debt Facility tranche to help leverage investment from banks and an insurance company
- The pool for New Market Tax Credit transactions was provided by NCB Capital Impact, NCB FSB, the California Endowment, JP Morgan and US Bancorp CDC. The NMTC Program provides tax credit incentives for certified investments in low-income communities
- The PRI and grant pool is used as higher risk capital for innovative projects that have the ability to repay but cannot attract commercial capital. Capital for this pool has been provided by NCB Capital Impact, Healthy Food Financing Initiative and other foundations
- Community stakeholders are able to invest in the fund through the Calvert Foundation Community Investment Note, created in partnership with MicroPlace
- The fund has also received technical support from a wide range of community-focussed organisations, public funded bodies and trade associations

### Foundation perspective

"The Kellogg Foundation has a mission of supporting vulnerable children in education, health, access to healthy food, and family economic security. A priority in access to healthy food is increasing the supply of fresh fruits and vegetables at the community level. The investment in FreshWorks was in line with this strategy. Through diligencing and monitoring this investment the Foundation's program teams hope to learn about the applicability of the fund model in other states." – **Tony Berkley, Director of Mission Driven Investments, Kellogg Foundation**

"Access to nutritious food should be available to everyone, but in many low-income communities that is not the case. The California FreshWorks Fund – a public-private partnership loan fund – was created to finance grocery stores and other forms of healthy food retail in these communities while also earning a healthy return for its investors." – **Kathlyn Mead, EVP and COO, The California Endowment**

### Key facts

**Inception date:** 2011

**Fund size:** $272.8M (committed)

**Minimum individual commitment:** $20 (through Calvert Foundation's partnership with MicroPlace)

**Investment manager:** NCB Capital Impact

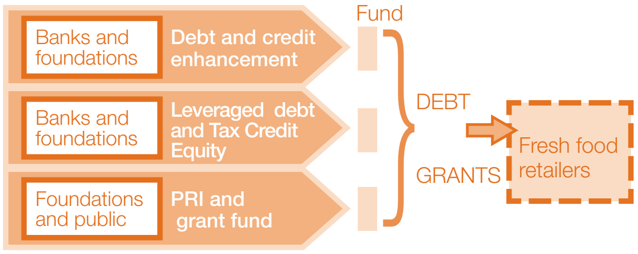
**Fund constitution:** Lending fund – Limited Liability Corporation registered in Delaware

**Term:** 3 year investment period from April 2012

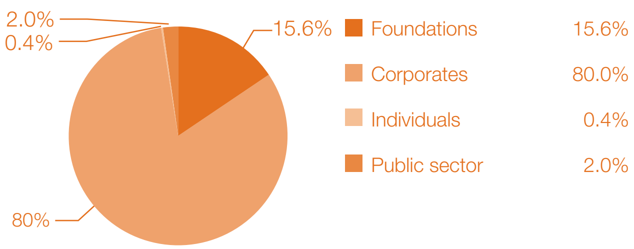
**Time to structure:** c. 2 years

**Cost to structure:** $100K

### Fund structure




### Investor distribution




Note: this distribution includes investment made directly into fund

# Global Health Investment Fund

But-for fund

## Overview

Innovative investment structure that introduces private sector investment as an alternative to traditional grant-based funding for global health. Bill and Melinda Gates Foundation and Swedish International Development Agency committed to a guarantee and loss sharing mechanism to leverage investment into the fund at scale.

## Social Impact

- The Global Health Investment Fund has been established to accelerate the development of drugs, vaccines and diagnostics for diseases that disproportionately affect developing countries, by providing capital to products in the last stages of clinical development
- The fund's mission is locked-in through its governance structure, which includes a "Charitability Oversight Committee" (COC). The COC ensures the fund complies with its charitable requirements and monitors charitable aspects of its investments. It has veto rights over the fund's investments
- The primary impact measurement metric used by the fund will be the number of lives saved through the commercialisation of new and effective therapeutic interventions

## Underlying Investments

- The fund will invest directly with pharmaceutical partners and indirectly via "Product Development Partnerships" (PDPs) (nonprofit organisations with scientific, technical, clinical development and policy experience which manage and advance promising global health products). Investments will be made through mezzanine debt and repaid via a combination of milestones and royalties on the new products created
- An independent Investment Committee and Scientific Advisory Committee is built in to the governance structure to review all proposed investments
- The fund does not impose a minimum investment amount, but has a maximum amount of 15% of the overall fund size

## Structure

- The fund is owned by a new not-for-profit entity – the Global Health Investment Corporation – which has been endowed by KfW of Germany. The Corporation is an investor in the fund and also benefits from a 20% carry on the fund's performance. This is designed to create a new lasting funding source for Global Health Research and Development
- Direct investments into the main fund are made on a pari-passu basis meaning all investors are Limited Partners which receive the same rate of financial return. This is with the exception of the Grand Challenges Canada (GCC) investment. GCC is a Limited Partner, but has made available any investment returns after the return of principal to support the investment return for the fund's other Partners
- The Gates Foundation, together with the Swedish International Development Agency (SIDA), is committed to providing a first loss guarantee and a risk share thereafter. This substantially reduces the risk for investors making direct commitments to the fund. Some of the investments made into the fund would not have been possible "but for" the Foundation and SIDA taking this position
- The Gates Foundation has also leveraged its network and expertise to assemble support from a range of global health and finance experts to serve in the Fund's independent governance structure. This includes representatives from GlaxoSmithKline and Novartis, two of the world's leading pharmaceutical companies, and former leaders in the field of finance from Goldman Sachs and MPM Capital, a life-science focused venture firm

## Foundation perspective

"We invest in global health because we know that when health improves, life improves by every measure." – **Bill Gates, Co-chair Bill and Melinda Gates Foundation**

"I believe this fund will help transform our approach to Global Health." – **Joseph L Rotman, Chair, Grand Challenges Canada & Chair of the Fund's Investor Advisory Committee**

## Key facts

**Inception date:** 2012

**Current size:** $55M

**Preferred investment return:** 2% per annum

**Minimum investor commitment:** $250K

**Investment manager:** Lion's Head Capital Partners LLP via LHGP Asset Management

**Fund constitution:** Main fund – Limited Liability Corporation registered in Delaware

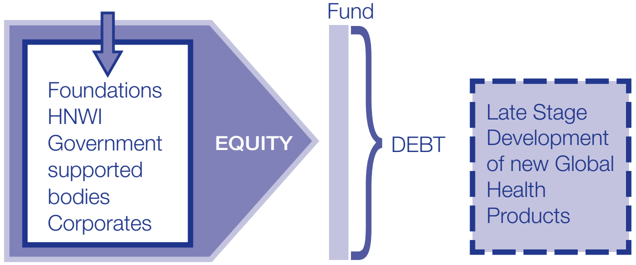
**Term:** 10 years from first closing date, extendable for two 1 year periods subject to approval

**Time to structure:** 18 months

**Cost to structure:** $1M

## Fund structure

First loss guarantee and risk sharing thereafter

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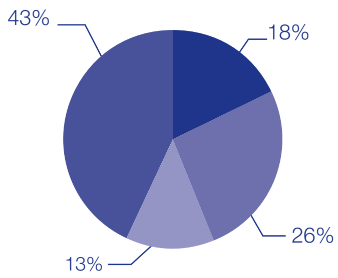



| | |
|---|---|
| Foundations | 18% |
| Corporates | 26% |
| Individuals | 13% |
| Government Supported | 43% |

Note: this distribution includes investment made directly into fund

# New York City Acquisition Fund

**But-for fund**

### Overview

Fund established to reduce the shortage of affordable housing in New York City. A group of foundations invested on subordinate terms to leverage significant commercial lending capital that otherwise would not be available for affordable housing development.

### Social Impact

- The New York City Acquisition Fund aims to address the shortage of affordable housing in New York by providing financing to affordable housing developers
- The fund locks in its social mission of increasing the availability of social housing by ensuring 80% of housing units in each development are affordable
- The housing units created by the fund must benefit families that are low-moderate income (as defined by the US government). Social impact is measured in terms of the number of affordable housing units developed
- 5,500 affordable housing units have been created or preserved to date

### Underlying Investments

- The fund provides flexible loans at sub-market interest rates to developers to refurbish existing affordable housing units or construct new affordable housing
- Maximum loan amounts available are $15M for the acquisition of existing occupied buildings and $7.5M for the acquisition of vacant land
- Maximum loan period is three years
- For-profit developers can receive loans of up to 95% loan-to-value ratio and not-for-profit developers can receive loans of up to 130% loan-to-value ratio
- All borrowers must contribute 5% of the total acquisition and pre-development costs as equity
- $175M has been invested in New York City affordable housing to date

### Structure

- The fund has a “But-for” structure: capital provided by a group of foundations (including Rockefeller Foundation, Ford Foundation and FB Heron Foundation) and the City of New York guarantee lending capital provided by a bank consortium
- The total value of the guarantee pool when the fund was closed in 2006 was $40.65M (of which foundations provided $32.54M and the City of New York provided $8.11M)
- The total value of bank consortium investment in 2006 was $192M
- The guarantee pool reduces risk for the bank consortium. By providing the guarantee pool, the foundations and City of New York were able to leverage senior debt from the banks that “but for” the guarantee, would not be available for this type of lending

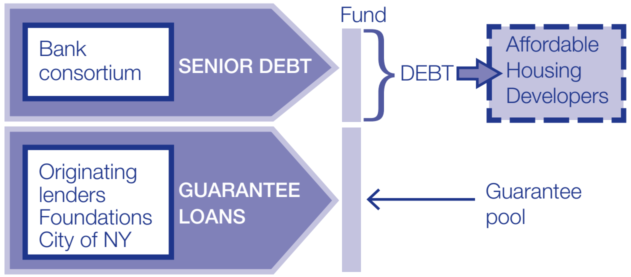
### Foundation perspective

“The Rockefeller Foundation has a long-standing commitment to support poor and vulnerable people as well as New York City. We provided a grant that supported the development of the fund, followed by a $5M investment that was part of the guarantee pool. The structure of the fund is appealing because it allows the Foundation to leverage senior debt, unlocking capital from banks that, but for the guarantee, would not participate in this type of lending. We are pleased to be part of a fund that has created or preserved 5,500 housing units for low-moderate income families.” **Brinda Ganguly, Associate Director, Rockefeller Foundation**

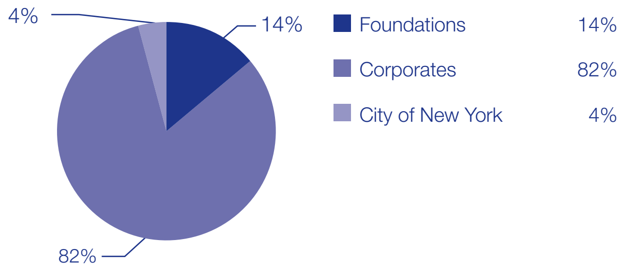
### Key facts

**Inception date:** 2006
**Fund size:** c.$192M (at close)
**Investment manager:** Forsyth Street Investors LLC
**Fund constitution:** Limited Liability Corporation registered in Delaware
**Maturity date:** 2016
**Time to structure:** 2+ years
**Cost to structure:** $1M

### Fund structure




### Investor distribution




Note: this distribution includes investment made directly into fund

# Eye Fund (I)

## But-for fund

### Overview

First co-mingling fund to pioneer the "But-for" structure, where foundations (and international development agencies) invest on subordinate terms to leverage larger volumes of commercial investment and so deliver impact at significant scale.

### Social Impact

- The Eye Fund (I) is restoring and improving the sight of low-income people across the developing world by providing affordable financing to eye care organisations (ECOs) which provide sight saving surgery
- The investee ECOs have adopted the "Aravind Eye Care System", a sustainable approach to providing eye care for the poor, whereby higher income patients subsidise the treatment costs of lower income patients
- Financing is used by the ECOs to expand their treatment capacity by constructing new hospitals and facilities, running community outreach programmes and purchasing specialised equipment
- Investment terms have legal covenants requiring borrowers to maintain their social mission and expand their subsidised services to the poor by at least 10% annually
- Social impact delivered by the fund is measured on a quarterly basis in terms of the number and quality of subsidised sight saving surgeries conducted by each ECO
- The ECOs which have received financing through the Eye Fund provide approximately 10,000 subsidised surgeries and 100,000 subsidised treatments each year. The funded projects are expected to enable a 150% increase in eye care treatment capacity over the next seven years

### Underlying Investments

- The fund provided investment to ECOs in the form of direct loans
- The International Agency for the Prevention of Blindness (IAPB) and Ashoka provided assistance to the investment manager, Deutsche Bank, for vetting and monitoring investments
- The fund is now fully invested, having made three investments ranging from $250K to $7M to ECOs in China, Nigeria and Paraguay

### Structure

- The Eye Fund is structured in four tranches, three of which are subordinate to a tranche of senior debt
- The subordinated tranches, purchased by Deutsche Bank Foundation, COFRA Foundation, Bernard Newcomb Foundation and a private social investor, enabled a $13M senior debt investment. The senior debt tranche was purchased by two bilateral development finance institutions, (Agence Française de Développement and US Overseas Private Investment Corporation), two corporations and a private investor
- Technical support for the fund is provided by the IAPB through a $1.5M Capacity Building Grant Fund funded by donations from Lavelle Fund, FMO Dutch Government Bank and the Goodman Family Foundation

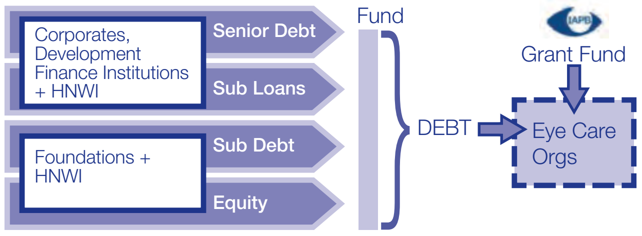
### Foundation perspective

"The Eye Fund changed the landscape as to how capital is provided to finance social innovations. A pioneering group of investors, who joined together with Deutsche Bank Americas Foundation to make the fund possible, deserve major credit for recognizing the potential to serve the interests of the poor and blind beyond the limits of traditional philanthropy. The Eye Fund required a number of years of effort to develop and finally close. Overcoming local regulatory obstacles, which can prevent non-profit institutions from accepting debt, is a particular challenge in parts of the developing world. In spite of hurdles, our investor group stayed the course. We truly tested the notion of 'patient capital' and are enormously grateful to those who recognized the field building role the Fund represents to the social investment marketplace." – Gary Hattem, President, Deutsche Bank Americas Foundation

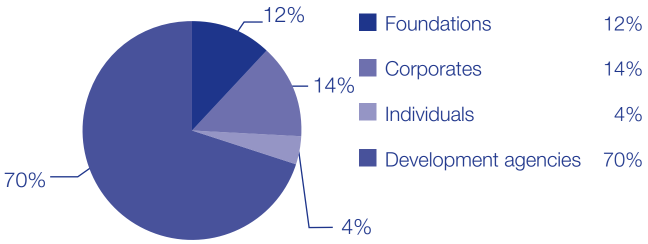
### Key facts

**Inception date:** 2010
**Fund size:** $14.48M (closed-end)
**Minimum investor commitment:** c.$150K – 250K
**Expected investment returns:** 1 – 4.6%, averaging 3% per annum
**Investment manager:** Deutsche Bank Trust Company Americas
Launched in collaboration with Deutsche Bank and Ashoka
**Fund constitution:** Limited Partnership registered in Delaware
**Term:** 7 years
**Typical time required to structure similar funds:** 9-12 months
**Typical cost to structure similar funds:** 1% of capital committed

### Fund structure




### Investor distribution




Note: this distribution includes investment made directly into fund

# Annexes

# Charity Commission view

The Charity Commission, the regulator of charities in England and Wales, recognises that there is growing interest in social investment and provides advice to enable charities to make social investments if they wish to do so in a way that is consistent with the law and trustee duties.

Our comments only relate to charitable organisations established under the law of England and Wales.

## Overarching principles

### Investment by charities

In the Charity Commission's investment guidance for charities *Charities and investment matters: A guide for trustees (CC14)* we use the term 'investment' to include any outlay of funds in something which *may* lead to a financial return. This definition covers a wide range of strategies used by charities in employing their funds. It covers:

- investing for the purpose of obtaining the best financial return within the level of risk considered to be acceptable ('financial investment')
- investing for the best return excluding investments which would conflict with the aims of the charity, investing for the best return avoiding some investments which might hamper the work of the charity or investing for the best return avoiding some investments on moral grounds where this does not involve a risk of significant financial detriment ('ethical investment')
- an outlay of funds in furtherance of the charity's aims where a financial return may be generated but where the reason for the outlay is to further the aims of the charity ('programme related investment')

investing where:

- the investment cannot be justified solely by reference to the impact it has on furthering the aims of the charity; and

- it cannot be justified as providing an adequate financial return applying the standard investment criteria;

but which

- is not made for a purpose other than furthering or supporting the aims of the charity or securing a financial return.

and where

- the resources applied are justified by the total of the furtherance of the purposes and the financial return.

  (‘mixed motive investment’).

The starting point for trustees in all of these ‘investment’ strategies is the duty of trustees to exercise their powers in the best interests of the charity. In the case of financial investments this will usually involve seeking the best financial return within the level of risk considered to be acceptable. In the case of a programme related investment, the ‘investment’ in question will be pursued where that is an effective way of achieving the charity’s purposes.

There is an important distinction to be made between ‘financial investments’ (which include ethical investments) and ‘programme related investment’ which would not be an investment in the legal sense. Investments in the legal sense are made for the purpose of a financial return and any other purpose is ancillary to that.

### The importance of a charity’s governing document

A charity’s governing document will usually set out its aims, the powers that its trustees have and various administrative provisions.

When making financial investments, the charity trustees may have the general power of investment conferred by the Trustee Act 2000 or will have the scope of their power of investment set out in their charity’s governing document. It is important for a charity’s trustees to know what powers of investment they have.

The primary consideration for a charity wanting to make a programme related investment must be its aims. It can only use its funds to further its charitable aims or any part of those aims. The aims will also be relevant in a mixed motive investment as the non-financial investment element fall within the charity’s aims.

Therefore it is essential for a charity to know what charitable aims it is investing in and to be satisfied that it will not be supporting activities that fall outside of its aims. The term ‘social investment’ is a broad one and may include purposes that fall outside the aims that a particular charity was established for, or indeed fall outside an aim that is charitable in law.

## Private benefit

In the case of an investment which furthers the purposes of a charity, any private benefit arising from that investment, for example to the directors of the company in which the investment is made or to other investors, would need to be incidental to the furtherance of the charity's aims. Incidental here means not beyond what they consider as necessary, reasonable and in the interests of the charity.

In a purely financial investment, the private benefit conferred by the charity upon the company directors and its shareholders is deemed to be incidental to the benefit to the charity and its beneficiaries arising from the investment.

Where there is non-incidental private benefit arising from a programme related investment by a charity, one means of eliminating this is for the recipient of the benefit to surrender it to the charity.

Where the charity is providing funds in order to further its charitable purposes, it is important to ensure that any private benefit is incidental to the furtherance of those purposes. Accordingly, it would need to be clear that furthering the purposes in this way is a more effective way of furthering the purposes than applying the funds in a way which would not confer the private benefit.

## Conclusions

Whatever investment opportunities are available to charities, for example the funds set out as examples in this Report, the decision making processes for charities before investment remain the same as set out in the Commission's guidance. Trustees are obliged to make a decision before making a financial, programme related or mixed motive investment in the usual way, using the information and predictions supplied by fund managers or other professional advisors. In our view, the existence of these funds would not change decision making for trustees – the decision making process is based on current law and trustee duties.

The funds used as examples in this Report appear to offer scope for encouraging private investors to invest for social as well as financial purposes, especially as the foundations involved (some of which are charities) are prepared to invest because they consider it to be right for them and their beneficiaries. However, charities participating in this type of investment will have to be satisfied that to do so will be in their interests, and be sure of exactly what kind of investment they are making and why.

# Glossary of Terms

| | |
|---|---|
| Big Society Capital | Independent financial institution set up by the UK Government and capitalised with £600M to support the development of a sustainable social investment market in the UK |
| But-for fund | Fund in which commercial investors would not have invested ‘but for’ a foundation first taking a subordinate position |
| Co-mingling fund | A fund aiming to achieve a positive financial and social return whose investors include charitable foundations and non-charities |
| Equity | A stock or any other security representing an ownership interest |
| First loss | Where one set of investors accepts that it will lose the money it invested before any of the other investors lose any money when an investment falls in value |
| Guarantee pool | A guarantee from a lending institution(s) that the liabilities of a debtor will be met. In the case of the New York Acquisition Fund a group of foundations ensures that if an affordable housing developer fails to pay back a loan provided by a bank consortium, the foundations will cover the loan |
| Lead investor | Early investor to a fund which encourages investment from additional parties |
| Legal covenant | A formal agreement, contract or promise in writing |
| Leveraged debt | Loans extended to companies or individuals that already have considerable amounts of debt. Lenders consider leveraged loans to carry a higher risk of default and, as a result, a leveraged loan is more costly to the borrower |
| Limited Partner | A partner in a partnership whose liability is limited to the extent of the partner’s share of ownership |

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| Liquidity | The ability to transform an investment into cash quickly with little or no loss in value |
| Loan | The act of giving money, property or other material goods to a another party in exchange for future repayment of the principal amount along with interest or other finance charges |
| Loan-to-value ratio | Used by commercial lenders to express the ratio of a loan to the value of an asset purchased |
| Mezzanine debt | A subordinated debt or preferred equity instrument that represents a claim on a company’s assets which is senior only to that of the common shares |
| New Market Tax Credit | The New Market Tax Credit (NMTC) Program was established in the United States in 2000 as part of the Community Renewal Tax Relief Act 2000. The goal of the programme is to spur revitalisation efforts of low-income and impoverished communities across the United States. The NMTC Program provides tax credit incentives to investors for equity investments in certified Community Development Entities, which invest in low-income communities. The credit equals 39% of the investment paid out (5% in each of the first three years, then 6% in the final four years, for a total of 39%) over seven years. A Community Development Entity must have a primary mission of investing in low-income communities and persons |
| Pari-passu | Literally ‘on equal footing.’ Situations where investors have equal rights of payment, or equal seniority |
| Programme Related Investment | An outlay of funds in furtherance of the charity’s aims where a financial return may be generated but where the reason for the outlay is to further the aims of the charity |
| Quasi-equity | A category of debt taken on by a company that has some traits of equity, such as having flexible repayment options or being unsecured. Examples of quasi-equity include mezzanine debt and subordinated debt |
| Risk share | Where one set of organisations is committed to sharing capital losses with other investors. In the case of the Global Health Investment Fund, the Bill and Melinda Gates Foundation and Swedish International Development Agency agrees to share losses accrued beyond a pre-determined value with the fund’s direct investors |
| Risk-reward | Where foundations and other impact investors take a higher risk position in a fund but receive a corresponding greater proportion of any financial returns. This increases the risk adjusted return for more commercially focussed investors who receive a corresponding lower proportion of any financial returns |
| Secured debt | Debt backed or secured by collateral to reduce the risk associated with lending |
| Senior debt | Borrowed money that a company must repay first if it goes out of business |

| | |
|---|---|
| Social enterprise | Businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners |
| Social impact | The effect of an organisation's actions on a surrounding community |
| Social impact bond | Social impact bonds are funding structures for Payment by Results (PbR) contracts. They enable socially motivated investors to provide upfront financing to service providers for interventions that aim to improve social outcomes. Government agrees to pay PbR outcomes payments to the investors based on whether the social outcomes are delivered. If the programme is not successful, government may not pay anything (depending on the terms of the contract), but if it is, investors will receive a return on their investment |
| Social stock exchange | A platform for the trading of shares in social enterprises and social businesses |
| Sub-market | Investment returns below what is usual in a particular market |
| Subordinate / junior | A debt or equity investment in a business that, in the event of the business being liquidated, ranks junior to other investors. In other words, all senior or secured liabilities will be paid by the business prior to the subordinated claims |
| Tax credit equity | Equity capital investments made through utilising tax credit programmes. In the case of the California FreshWorks Fund, the tax credit programme utilised is the New Market Tax Credit programme |
| Term debt facility | A loan repaid through regular periodic payments over a pre-specified period |
| Unsecured debt | A loan that is issued and supported only by the borrower's creditworthiness, rather than by a type of collateral |

Any enquiries regarding this publication should be sent to us at Social Investment and Finance Team, Cabinet Office, 70 Whitehall, London SW1A 2AS.

This document is also available from our website at http://www.gov.gov.uk/government/policies/growing-the-social-investment-market