Expanding Access to Impact Investment

JUNE 2021

NEW MARKET FUNDS

Investment Readiness Program

Canada

Acknowledgements

CORE TEAM

Managing Partner

Derek Ballantyne — New Market Funds

Co-Directors,
Expanding Access to Impact Investment

Dawn Bowles — Flourish Strategies

Travis Inlow — New Market Funds

Coordinator

Lena Courcol — New Market Funds

Research Partners

Majid Khoury — Majid Khoury Strategy

Susan Hou — Majid Khoury Strategy

Julie Selby — Beagle Strategy

Isabelle Swidersky — Seven25

Legal Partner

Stacy McLean — Blake, Cassels & Grayon LLP

REPORT DESIGN & PRODUCTION

Copy Editor

Joe Howell

Design & Layout

Studio Prolific

Translator

Adela Nistor

FUNDERS

The research, development, and publication of this report was made possible through funding by the Government of Canada's Investment Readiness Program

Acknowledgements

CONTRIBUTORS

Active Impact Investments
Mike Winterfield

Chantier de l'économie sociale
Béatrice Alain

Community Forward Fund / Canadian Co-operative Investment Fund
Derek Ballantyne

CoPower / Vancity Community Investment Bank
Trish Nixon

New Market Funds Rental Housing Fund I / New Commons Development LP
Garth Davis

Pillar Nonprofit Network
Lina Bowden

Raven Indigenous Capital Partners
Jeffrey Cyr

Rhiza Capital
Brian Smith, Elyse Crowston

Social Enterprise Fund
Jane Bisbee

VERGE Capital
James Chan

Windmill Microlending
Jeni Piepgrass

Alex Bowles — DealSquare
Anders Bell
Andy Chou
Brad Zumwalt
Brian Holland
David O'Leary
Elmer Kim
Jeffrey Reed
Keith Ippel
Kelly Gauthier — OpenImpact
Kevin Clay
Kevin Taylor — SVX
Linda Reed
Michael Nairne
Michael Tatigian — Mako Financial Technologies
Paula Carey
Patti Dolan
Peter-Paul Van Hoeken — FrontFundr
Raphael Bouskila — Mako Financial Technologies
Richard Rizi
Scott Robertson
Stephen Whipp
Steve Smith — DealSquare
Table of Impact Investment Practitioners
Thomas Ahn
Trish Nixon — CoPower
Tom McCullough
Wendy Reed

Table of Contents

CHAPTER 1

Overview

The Expanding Access to Impact Investment (EAII) initiative is one of three projects undertaken by New Market Funds Society in its role as an Ecosystem Mobilization partner for the Government of Canada's Investment Readiness Program (IRP). The IRP is an initiative to support social purpose organizations and social finance intermediaries to build their capacity to participate in Canada's growing social finance market. This includes assisting enterprises and intermediaries in preparing for the deployment of the Social Finance Fund (SFF), a $755-million funding commitment to be delivered over an estimated 10-year period. In the 2021 federal budget, the allocations of the SFF were announced for two years starting in 2021/2022. It is expected that the SFF will assist in capitalizing investment-ready opportunities and catalyze the flow of new private investments into social impact investment in Canada.

Increasing the flow of private capital to social impact funds and intermediaries is recognized as one of the key issues for the growth of the sector. Currently, philanthropic and institutional investors are the largest source of capital for social purpose investments. A smaller amount of capital is raised from high-net-worth individuals and family offices. Other individuals, both accredited and non-accredited, are the smallest source of capital for social purpose investment. As Employment and Social Development Canada writes,

"... while investors are interested in social finance, they may be reluctant to commit their capital because limited track record data is available to help them accurately distinguish between real and perceived risks. The result is a market where supply and demand are not meeting each other to full effect, and where some regions are seeing very little social finance activity."[1]

The EAII initiative is focused on gaining a better understanding of the barriers to impact investing by non-institutional investors (accredited and non-accredited investors), as well as market development strategies, to engage and enable a broad range of these investors to pursue social impact investing. This work contributes to growing Canada's social finance marketplace, while diversifying its capital sources and increasing the availability and access to social impact investment opportunities.

A particular focus of the EAII project is on how to better enable social finance intermediaries — such as social impact private equity funds, community loan funds, affordable housing funds, social venture capital, and Indigenous venture funds — to expand their investor base and their ability to sustainably attract investment. This includes an overview of the regulatory requirements, as well as primary research into the knowledge and attitudes of non-institutional investors and wealth advisors on social impact investment.

APPROACH AND METHODOLOGY

The EAII research seeks to better understand the barriers to investment in social impact funds and find pathways that overcome them. Two primary areas of investigation were undertaken:

1. The investing behaviours and mindset of different Canadian non-institutional investor segments generally, and especially in relationship to impact investing and social impact funds. The segments of **non-institutional investors** (as defined by investable assets, excluding real estate).

1 Employment and Social Development Canada, "Inclusive Innovation: New Ideas and New Partnerships for Stronger Communities" (Government of Canada, August 31, 2018), http://www12.esdc.gc.ca/sgpe-pmps/servlet/sgpp-pmps-pub?lang=eng&curjsp=p.5bd.2t.1.3ls@-eng.jsp&curactn=dwnld&pid=64138&did=5352.

2. The current legal and technical environment in Canada as it relates to barriers and opportunities for social impact funds to access non-institutional investor capital.

The EAII examination of investment behaviours was primarily undertaken from the perspective of current and potential investors and the wealth professionals that serve them. A limited review of secondary sources assisted in identifying the likely key issues and opportunities for non-institutional investors in the social impact investment space. Non-institutional investors were classified into three investor segments:

1. **Everyday retail investors (ERI)** with investable assets between $25,000 and $1 million, non-accredited
2. **Mass wealth investors (MWI)** with investable assets between $1 million and $5 million, accredited and non-accredited
3. **High-net-worth (HNW) investors**, including very-high-net-worth individuals (VHNWI) with investable assets between $5 million and $30 million (accredited) and ultra-high-net-worth individuals (UHNWI) with investable assets over $30 million (accredited and permitted).

These three groups of investors use different, and at times overlapping, intermediaries in making investments. Understanding the constraints due to investment processes and barriers facing wealth managers, family, and multi-family offices — through which many HNW investors work — provides insight into how to activate these investors.

The outcomes of the investigations are intended to:

- Increase the knowledge and understanding of social impact intermediaries, individuals, and organizations developing social impact investment opportunities about the potential to attract investment from the investor segments listed above.
- Identify collective actions that can be taken to accelerate the flow of capital from these investor segments.
- Provide a baseline measure of current attitudes and interest that can serve as a benchmark over time to determine how and where the interest in, and access to, social impact investment is growing.

A more detailed overview of the approach to the research in Appendix — "Approach & Rationale".

RECOMMENDATIONS INCLUDED IN THE REPORT

In the sections of the report that follow, there are recommendations on actions that can be taken to accelerate the flow of capital into social impact funds and initiatives. The recommendations are framed to stimulate discussion among interested sector actors, such as fund managers, engaged investors, policy-makers, and others. It is not the intention of the research to set out an action plan for the sector — this would be presumptuous, and that task falls to others with the qualifications and means to do so.

The report findings and recommendations are more usefully thought of as input to actions that can be taken by interested ecosystem actors and supported by policy-makers and funders who have an interest in seeing the growth of social impact investment, and in the social economy more generally. The promise of social impact investment is the successful use of capital to support a more equitable economy, increase social inclusion, and deliver individual and community benefits. To achieve this requires more capital from all sources. This report is focused on one of these — capital from individual investors.

CHAPTER 2

Setting the Context

SOCIAL FINANCE ECOSYSTEM AND SOCIAL IMPACT INVESTMENT

Social finance in Canada is not new. It can be thought of as being based on an Indigenous concept reflecting the Indigenous-centric values that we hold collectively as Canadians: ultimately, we are all relatives, and therefore have a shared responsibility for the well-being of our collective society and for the public good[1]. Social finance is a relatively broad term that encompasses a range of activities related to the flow of capital from diverse sources in support of addressing community, social, and environmental challenges. In the context of the EAII report, the focus is more particularly on investment for the purpose of social impacts and financial returns — i.e., social impact investment.

The social impact investment ecosystem includes many actors, from investors through to the enterprises and initiatives that are being supported and that generate the social and environmental returns being delivered. There is a complex network of organizations that work to attract new capital to impact purposes, build the capacity of intermediaries, and support the social enterprises that contribute to the social economy. Social intermediaries aggregate capital from multiple sources, providing a pooled investment approach that reduces risks that may come from direct, single-purpose investment. Social impact funds are the primary (but not exclusive) social finance tool that link capital and measurable impact.

A decade ago, it was simple to identify social impact funds and intermediaries. The social value offerings were clear and distinct from conventional investment vehicles, such as mutual or pooled funds and private equity offerings. More recently, the language and stated purpose of conventional funds have blurred some of these distinctions. Terms such as "impact" and "ESG" have become commonplace in the investment world. With the recent surge in interest in environmental, social, and governance (ESG) driven investment, there is often confusion between simple ESG screens or investment approaches and genuine social impact investment. The latter is an intentional and outcome-driven investment approach in which social and environmental targets are set and impacts are measured.

The confusion of language and meaning is a significant barrier to the growth of the social impact ecosystem, as is the general lack of understanding on what social impact investments actually are.

The confusion of language and meaning is a significant barrier to the growth of the social impact ecosystem, as is the general lack of understanding on what social impact investments actually are. As noted in this report, both everyday retail investors and more sophisticated high-net-worth individuals share this misunderstanding. Currently, as with ESG in North America, there are no standards or regulations that define these investments. While individual investor knowledge is growing around social impact and how capital can be deployed to generate risk-adjusted financial returns and social impact, there are limited sources of information and a small

1 Paul Lacerte, "Indigenous Chapter, State of Social Finance in Canada 2021" (Table of Impact Investment Practitioners, June 2021).

number of specialized advisors and intermediaries to assist in navigating the social impact investment ecosystem. Social impact investments are for the most part restricted investments (private placements, and generally illiquid), and therefore not easily available to all investors.

Despite the knowledge and understanding challenges in the social impact investment space, assets under management (AUM) in this sector continue to grow. A survey of 20 Canadian social impact investment funds affiliated with the Table of Impact Investment Practitioners (TIIP)[2] conducted as part of this research identifies more than $2 billion in assets under management in the sector. Investors in social impact funds are primarily institutional, led by foundations as well as committed high-net-worth (HNW) individuals. Largely absent from the current investor base for most funds are financial institutions, including credit unions, private capital pools and pension funds[3]. There are few accredited and non-accredited investors choosing to invest in social impact funds. The focus of the EAII research is on understanding the opportunities for acceleration of the HNW, accredited, and non-accredited investors.

2 Survey conducted in December 2020 among the members of Table of Impact Investment Practioners (https://tiip.ca).

3 It should be noted that the level of institutional investor attraction to social impact funds varies by sector. For example, climate change and alternative or renewable energy funds may attract more diverse investors, including financial institutions, as this sector is better understood by investors and there are more conventional fund comparables.

FIGURE 1: IMPACT INVESTMENT SPECTRUM

May Not Include Impact Investment

Social Impact Investment

Traditional Investing	Responsible Investing	Sustainable Investing	Thematic Impact Investing	Impact First Investing	Philanthropy
Competitive Returns	**ESG Risk Management**	**ESG Opportunities**	**Maximum-Impact Solutions**		
Seeks financial returns regardless of environmental, social or governance (ESG) factors	Investments are screened out based on ESG risk	Sustainability factors and financial returns drive investment selection	Targeted themes and financial returns drive investment selection	Social and environmental considerations take precedence over financial returns	Financial returns disregarded in favor of social and environmental solutions
	Negative Screens: • Tobacco • Alcohol • Weapons • Gambling • Pornography • Nuclear energy	**Factors Considered:** • Carbon footprint • Resource use • Waste reduction • Compensation • Product safety • Gender equality	**Solutions For:** • Climate change • Population growth • Urbanization • Water scarcity • Food systems	**Support For:** • Innovation & risk taking • Proof of Concepts / pilots • Enabling environments • Commercial capital leverage	

Examples of funds in each of the segments listed above are shown below:

Traditional Investing	Responsible Investing	Sustainable Investing	Thematic Impact Investing	Impact First Investing	Philanthropy
• RBC Canadian Equity Fund • CI Income Fund	• North Growth U.S. Equity Fund • RBC Vision Global Equity Fund	• NEI Global Sustainable Balanced Fund • Desjardins SocieTerra Positive Change Fund	• InvestEco Capital • New Market Funds Affordable Rental Housing Fund	• Saint John Community Loan Fund • VERGE Capital	• Private & community foundation funds and grants

FIGURE 2: SOCIAL IMPACT FUNDS

IMPACT INVESTMENT FUNDS

An investment fund is an entity that pools capital to provide investors with investment management services. Investment funds are designed to meet various investor expectations, such as:

- Income maximization (e.g., funds that pay dividends)
- Capital appreciation (e.g., growth funds)
- Balanced (i.e., funds that are structured for a combination of growth and yield)
- Specialty funds
- Targeted geographic markets

Social impact funds are similar to traditional investment funds, but at their core, expect to generate positive financial, social, and environmental returns for investors (Figure 2).

Social impact funds are diverse, and vary depending on the primary purpose of the fund investments and its targeted investors. These funds invest on the behalf of asset owners across a spectrum of asset classes, from seed-stage funding to growth and expansion opportunities. They utilize a variety of fund structures, including private equity funds, private debt funds, real asset funds, green bonds, and micro-lending. Canadian examples include (Figure 3):

As noted in the introduction, the EAII research set out to determine the barriers facing efforts to increase investment from non-institutional investors in social impact funds and other vehicles — and find opportunities to overcome these obstacles. The results detailed in the following section of the report are not as much a discovery as they are a confirmation of the key issues being faced by investors who seek to have greater social effect from their investment activities. Awareness, access, and understanding remain the most significant hurdles to increasing the flow of capital from individual investor sources into social impact.

New opportunities for social impact are being developed across Canada, supported by initiatives such as the Investment Readiness Program (IRP) from Employment

FIGURE 3: CANADIAN SOCIAL IMPACT FUND EXAMPLES

Seed

Bank Debt

Vancity

Micro-lending

windmill MICROLENDING

Crowdfunding

SVX Invest for impact · Investir pour l'impact

Start-Up

Venture Capital

RAVEN INDIGENOUS CAPITAL PARTNERS

Rhiza CAPITAL

renewal Funds Investing for Change

InvestEco Building companies that matter

ACTIVE IMPACT INVESTMENTS

Growth & Expansion

Private Debt

COMMUNITY FORWARD FUND

fiducie du Chantier de l'économie sociale

SEF SOCIAL ENTERPRISE FUND

VERGE

Real Estate Assets

NEW MARKET FUNDS

Green Bonds

COPOWER

Public Equity

rally assets

Public Debt

ADDENDA CAPITAL

and Social Development Canada[4]. There is a need for a corresponding growth in sources of engaged capital to support these initiatives. The approach of "build it and they will come" may not be an effective strategy in the social impact investment space. Existing pathways for capital flows to social impact need to be enlarged or accelerated, and new portals and platforms built. This takes time and resources, but it is integral to building a more diversified economy that engages capital in positive social outcomes. It also requires a supportive policy environment.

Existing pathways for capital flows to social impact need to be enlarged or accelerated, and new portals and platforms built.

The federal budget announcements of additional IRP funding and the flow of over $200 million from the Social Finance Fund are steps in the right direction. There may also be a need to push for financial incentives and supportive tax treatment to accelerate capital into social impact investment. These measures were not within the scope of the EAII project. It is clear from this research that in addition to incentives, there is further social impact market development work required in order to broaden the pool of investors. A potential area for government support is the expansion and development of information and access platforms for social impact funds. These measures can add to the work that should be undertaken by social impact funds, both individually and collectively, to expand access to the sector for investors.

Some portion of this capital can come from individual investors. The research conducted demonstrates this investor demand — albeit existing in pockets and among defined investor groups.

4 Employment and Social Development Canada, "Investment Readiness Program," 2019, https://irp-ppi.ca/en/.

CHAPTER 3

Investing Behaviours and Mindsets

CONTEXT

As noted in the project overview, increasing the flow of private capital to social impact funds and intermediaries is recognized as one of the key issues to be addressed for the growth of the sector. Research results from secondary source reviews, interviews, and consultations with social impact fund managers are presented in this section. These results do not, in general, differ significantly from other assessments of the barriers and challenges faced in the growth of non-institutional investment. Of interest is the greater granularity of the investigation, and the testing of whether the barriers and potential solutions to overcoming these are common to different segments of the non-institutional investor universe, or are unique based on the position of potential investors and the investment channels that they access.

COMMON THEMES

The results of the research undertaken reveal themes that are common to all investors, but most particularly mass wealth investors, wealth advisors, high-net-worth investors, and their family or multi-family offices. These include:

1. Market development: What is this product? Where does it fit in a client or firm's portfolio, and why should investors and advisors take the time to educate themselves about social impact investments?

The barriers explored relate to understanding the range of investment opportunities, the differences in investments, and understanding how to assess social impacts and social returns.

2. Market access: Where is there easily accessible data and support for due diligence, analyses, and, if desired, for purchasing funds?

The barriers explored relate to knowing which social impact funds are currently available in the marketplace, building of technical knowledge, and access to accurate and reliable data to assess, sell, and track investments — including risk/return profile, due diligence, and client/firm appropriateness. The barriers hampering the ability to transact in relatively simple ways that resemble usual investment processes are also explored.

3. Product structure: Is this product sellable, and can its suitability be assessed? Will advisors be compensated for the time and effort to make the investments?

The barriers explored relate to compensation structure, risk/return profile, tax incentives, guarantees, investment minimums, liquidity, hold times, etc.

The three high-level challenge areas above are similar to the top barrier areas, as identified from the secondary research review. They are further explored in the sections that follow, from the perspectives of different categories of investors and their advisors.

The perspectives of investors on social impact investment includes the point of view of advisors and professionals on whom many investors rely. In some cases, these investor perspectives closely mirror those of their advisors.

Increasing the flow of private capital to social impact funds and intermediaries is recognized as one of the key issues to be addressed for the growth of the sector.

CHAPTER 3.1

Everyday Retail Investors

BACKGROUND

For the purposes of this initiative, "everyday retail investors" are defined as individuals with investable assets between $25,000 and $1 million. Usually, these individuals are non-accredited investors, and therefore are restricted to investments in traded securities (either directly or through funds). These investors are generally advised by financial professionals who transact investments on their behalf or manage their portfolios on a discretionary basis.

In July 2020, Angus Reid had 910 panelists that fit the everyday retail investor profile complete a 17-minute online survey, available in both English and French.

The research objectives were:

1. Understanding investment knowledge and behaviour of this group of investors
2. Exploring awareness and perception of impact investing, and the barriers and motivators to this type of investing
3. Measuring the level of interest in investing in a representative group of Canadian social impact funds, as well as an assessment of what drives or limits investor interest

The research results are accurate within +/- 3.2 percentage points, 19 times out of 20. In order to obtain more relevant data, the research sought to have respondents understand the differences between publicly traded responsible and sustainable impact investments, and private (purpose-led) social impact funds. As noted above, one particular objective was to determine the level of investor interest for social impact funds (described in the research as "purpose-led investment").[1]

In addition to generating insights into current everyday investors' investing behaviours, motivations, awareness, and interests in various types of investments, the research was designed to allow for periodic redeployment of the survey to track changes over time in Canadian everyday investors' awareness of and interest in both publicly traded responsible and sustainable impact investments, and private social impact funds. This initial research study was also structured to identify a profile of the "Supporter" investor most likely to invest in publicly traded responsible and sustainable impact funds, as well as private social impact investments, which can be used in a more targeted way for future research.

...46% of everyday investors, which we named Supporters, are an ideal target for purpose-led investments.

KEY INSIGHTS

Supporters' Profile & Investing Savviness

- The everyday investor at large is not necessarily the right target for purpose-led investments, given they are highly risk-averse, not investment savvy, and half of them have no understanding of — or interest in — impact and/or purpose-led investments.
- However, a sizable segment (46% of everyday investors), which we named Supporters, are an ideal target for purpose-led investments. This group is already predisposed to such investments, as they

1 As noted in Section 2, the terms "impact investment" and "social impact investment" are frequently used to mean different types of investments with different measurability. For the purposes of the survey of everyday retail investors who may have more limited exposure to impact investment, a more generic term was used.

are aware and somewhat familiar with impact/purpose-led investments and show interest in these investments.
- Supporters tend to be younger investors, not highly risk-averse, have strong confidence in their investment knowledge, and more interested in the greater good than an average everyday investor.
- Given their savviness and confidence when it comes to investing, Supporters tend to rely less on advisors than a typical investor. This may impact the role of the advisor in this case to become a source of education on such funds.
- Just under half of Supporters claimed to be very likely to use an online portal to browse and become educated on purpose-led investments. Among those, two-thirds are also likely to use one for online investment.

Supporters' Blockers

- There are three key communications-related blockers to increasing interest in purpose-led investments among Supporters:

1. awareness of and familiarity with the existing social impact funds
2. the perceived high-risk levels of these funds
3. uncertainty about the impacts achieved by the funds and fund manager

- Communications and education tackling the key blockers identified above need to target both the Supporters and their advisors. These strategies should also be part of any digital tools facilitating purpose-led investments, in order to help build

awareness of and familiarity with the different funds.

Supporters' Motivations

- The most important motivators to focus on are assurances about risk levels and the investment's alignment to causes important to Supporters

— preferably impact in Canada, with the highest areas of Supporter impact interest being clean energy, clean water, sustainable health (in terms of sources of food), and affordable housing.
- As Supporters generally demonstrate "caring" attitudes and behaviours, using emotional language in communications will resonate well with them. These include themes such as "for a better future," "feel good about investing," "do what is right," and "investments reflecting your values." Having said this, such language will not be an effective motivator on its own — issues of perceived risk and the qualifications of investment managers must also be addressed.
- Interest in seven key social impact funds tested was soft overall. Affordable housing funds garnered the highest interest, followed by green loans to support clean energy. Both of those funds address one of the top five causes of interest to Supporters

The most important motivators to focus on are assurances about risk levels and the investment's alignment to causes important to Supporters...

Tapping into Supporters' Interests

- Data suggests that impact investments will likely be an efficient gateway into purpose-led investments. Investors currently holding impact investments should be an immediate and primary target given their higher openness to the concept of impact investment in general. Responses to the funds tested indicate increased interest in social impact funds can be achieved by providing more detailed fund information, including proof points, on the benefits and uses of funds. Narrower targeting of funds to align the impact generated by each of the funds to specific investor interests will also likely increase attraction to purpose-led investments (social impact investing).

FULL REPORT

A comprehensive package on EAII's everyday retail investors research can be found here.

The package includes:

1. Research Background, Objectives, and Possible Uses
2. Activation of Results
3. Canadian Everyday Retail Investor Research - Executive Summary
4. Canadian Everyday Retail Investor Research - Full Report
5. Survey Questions - English and French

CHAPTER 3.2

Mass Wealth — Through Wealth Advisors

BACKGROUND

Mass wealth investors are generally considered to have investable assets ranging between $1 million to $5 million. They are most often qualified as accredited investors, and therefore have access to a range of private placement investments, as well as access to more restricted public funds. These investors most often work with wealth advisors, who assist in identifying investment opportunities, performing due diligence on products, negotiating access to investment funds, and managing and monitoring the investments.

Unlike everyday investors, there is not a ready-made survey sample of these investors available, so a survey of mass wealth investors was not undertaken. In place of this, research was focused on wealth advisors. As noted previously, the perspective of this group of investors is often influenced by advisors, and in some cases the actions of wealth advisors can provide a proxy for the perspectives of the investors they represent in relation to social impact investments.

Wealth advisors, in the context of the EAII research, refers to professional advisors who offer advice to clients with investable assets up to $5 million, broadly distributed into four advice channels:

- full-service brokerages
- independent financial advisors
- career or exclusive financial advisors
- advisors that are working in-branch for a financial institution who advise investors with mass wealth

Wealth advisors[1] are a key part of the investment ecosystem. A portion of the advisors to mass wealth investors also provide similar services to high-net-worth investors, and may also provide services to everyday retail investors. The interest they have in these investments, and their ability to overcome barriers to social impact investments, directly ties to the growth of this investment area.

Wealth advisors are important gatekeepers, influencers, and allies for the flow of capital to social impact funds.

It should be noted that there are differences in wealth advisor structures, professional and corporate contexts, and service offerings. Not all wealth advisors are able or willing to offer access for their clients to social impact investments. Generally, those most able to do so are independent advisors with the flexibility to choose from a broad range of investment products for their client portfolio.

Research on wealth advisors included a review of relevant existing research, and interviews with three key groups:

- a national group of advisors and dealers
- a panel of Canadian social impact funds

1 As of 2020, Advocis, the Financial Advisor Association of Canada, is the largest voluntary professional membership association of financial advisors in Canada, representing more than 13,000 members from 40 chapters across the country. The Financial Planning Association of Canada (for certified financial planners) has 17,000 members. These are only two categories of wealth advisors. The most recent aggregate count of all types of wealth advisors in Canada, conducted by Investor Economics in 2012, totalled 90,000.

- wealth advisors identified as early adopters of impact investing (considered “Advisor Allies”)

Preliminary findings from the research were presented to a group of social impact fund managers for feedback and key insights. These have been incorporated into the findings. Finally, a panel of Advisor Allies provided feedback on how to overcome key barriers to increasing social impact investment, including their assessment of the usefulness of investment technologies.

Although government policy, tax incentives, securities regulations, and new types of products all have a key role to play in unlocking capital from mass wealth investors through wealth advisors, the findings and proposed recommendations included in the report are predominantly focused on overcoming market development and market access issues — areas we see to have the most potential for social impact funds, sector influence, and collaboration in the short to medium term. The research undertaken did not focus on these other areas that might also stimulate increased social impact investment.

KEY FINDINGS:

Wealth advisors are important gatekeepers, influencers, and allies for the flow of capital to social impact funds. Understanding the barriers identified by these advisors and finding opportunities to overcome them is key to accessing new and increased capital by social impact investment funds.

- In general, mass wealth investors rely heavily on wealth advisors
- Recent EAII research conducted with Canadian everyday retail investors[2] indicates that the profile of investors identified as prospective Supporters of social impact investing (described in the survey as “purpose-led” investments), are investment savvy and like to be active in investment decision-making, but still expect to be educated about social impact funds and other types of impact investments by their wealth advisors.
- EAII research with high-net-worth investors indicates they almost always have at least one wealth advisor, and want to be able to incorporate any type of impact investment they make into their overall portfolio — requiring the wealth advisor (at minimum) to understand how these products fit with the rest of their portfolio holdings.
- Some Advisor Allies are already trying to drive awareness and adoption of social impact funds with their clients and require data, tools, and assistance in doing this.

From the secondary research review, five key barriers hampering wealth advisors from including impact investments in their practices were identified:

1. Lack of client demand (because of low interest in, and awareness and understanding of, social impact investing)
2. Lack of advisor awareness and education about impact investment
3. Lack of data (availability and quality for analysis and to provide to clients)
4. Inadequate compensation for accessing and managing social impact investments
5. Negative assessment of impact fund performance and risk profiles (actual or marketplace myths)

2 See Chapter 3.1 - “Everyday Retail Investors” for more details on the survey and to find links to the survey results

KEY RECOMMENDATIONS

There are multiple steps and activities that can be taken in the short term to accelerate the process of building advisor and marketplace awareness and interest in social impact funds — as well as ensuring that, once interest does exist, advisors have the access, tools, and information they need to efficiently market, invest, monitor, and report on investments made in social impact funds to the professional standards required by the industry.

Given the expected correlation of growth in adoption of public impact funds through responsible and sustainable impact investing and adoption of social impact funds, it will be important to explore synergies and coordination with other impact investment associations and initiatives in the Canadian marketplace.

SHORT-TERM RECOMMENDATIONS ON HOW TO SUPPORT ADVISORS

1. Assist in creating a sustainable peer network for Advisor Allies:

This was indicated to be of particularly high value in both interviews and the survey conducted. Pending further exploration, this can be undertaken individually or collaboratively by funds, and is a low-cost and low-barrier initiative that could:

- initially be created with known Advisor Allies to serve their immediate needs
- attract other wealth advisors that have been early adopters of impact investments
- enable identification of commonalities in Advisor Allies' practices and firms
- help illuminate boutique dealers (noted as the most likely type to be early adopter dealers) that may be most likely to incorporate social impact funds on the product shelf
- provide a forum and access point for the Table of Impact Investment Practitioners (TIIP) and sector partners to engage and develop key resources (noted below) with their feedback
- produce other benefits still to be discovered

This initiative could be actioned in collaboration with existing Advisor Allies almost immediately. It would require some limited start-up resources to determine an initial form and the key aspects of such a network, and explore further ideas for resourcing it. Although Advisor Allies are motivated, for the most part, they don't have capacity to resource or manage a more formal network themselves.

2. Directly engage with Advisor Allies through peer networks to develop the marketing and educational information they need to market social impact funds.

SHORT-TERM RECOMMENDATIONS FOR SOCIAL IMPACT FUNDS

To support wealth advisors, social impact funds could:

1. **Direct resources and work collaboratively with peer funds** to get fund information into useful formats and into central information sources where Advisor Allies are looking for it. (See Chapter 4 - Fund Operations and Technology for more on discovery portals.)
2. **Use language, formats, and narratives that are common** to the investment industry. This assists in reducing perceptions of "alternative" investment that are not easily understood or explained.
3. **Use common frameworks** (e.g. a common description of the impact investment spectrum) and locate fund offerings within this framework. This allows comparisons to other impact investments and other forms of investment where applicable, such as venture capital, debt funds, etc.
4. **Develop information to assist advisors** in understanding the fit of an impact investment with their clients' portfolios — asset allocation, target financial returns, fit with impact, or philanthropic objectives.
5. **Assist in building investor peer networks** — this can strengthen investor and advisor understanding, and encourage further investing.

Additional ideas garnered from the workshop with social impact investment fund managers can be found in the Supplementary Materials — Research Direction Feedback and Ideation Session with TIIP.

RESEARCH FINDINGS

Wealth advisor awareness of social impact investments

Discussions with dealers and advisors underscore that most wealth advisors and executives in dealer firms have either no understanding, or inconsistent exposure to, the term "impact investing" — nor do they understand the attributes of social impact funds and where they fit into the spectrum of impact investments.

Wealth advisors don't often put their clients in private placements because of the complexity of due diligence and management of the investments. Advisors report that there is a perception of additional risk and complexity related to impact investments. The complexity may be related to the presentation of the investment opportunity as being "unique," and there is a need to understand both the financial and social impact dimensions through due diligence. This leads to a lack of interest for advisors to actively learn more about social impact funds.

Clients looking for impact investing and/or social impact funds can be blocked from the outset by their wealth advisors citing high levels of risk or the complexity of the investment. The size of the client, the relative importance to the advisor, and the client's level of insistence in seeking to make social impact investments has a direct impact on the wealth advisor's decision on whether to do the necessary due diligence and take the time to review investment options. This work can be time consuming, and requires gaining new knowledge about investment products. Often, the investment offerings do not include significant fees to compensate the advisor for this work, and passing the costs on to clients would be a significant impediment to their desire to pursue these funds.

FROM THE INTERVIEWS CONDUCTED:

"They are high risk to clients — it's not worth the 3%–10% commissions. [I've] seen really bad outcomes in the past; the exempt market has a very poor reputation."

— An advisor equating a private social impact fund with the exempt market deals

"The bonds I buy for my clients tend to be higher credit quality than something like this. These types of [packaged loans] investments were exactly what triggered the 2008 financial crisis. Not to say this is anywhere near the same quality but that said, I tend to steer clear of this kinda stuff."

— Response from a highly accredited portfolio manager at a bank-owned brokerage when a mass wealth client asked about buying CoPower

"I told my advisor I wanted to include [a specific social impact fund] in my portfolio — he wasn't thrilled and really didn't know where to start, but I pushed for it. He had to do the research from scratch and it was a LOT of work."

— Response from a very-high-net-worth investor

Wealth advisor and dealer relationship

In order to legally sell investments to the public, advisors must be licenced to do so. There are multiple types of licenses an advisor can hold, and many advisors are registered for more than one license. There are three predominant registration areas in Canada:

1. licensed to sell life and health insurance (licensed by provincial insurance regulators)
2. registered to sell mutual funds (licensed per the Mutual Fund Dealers Association of Canada, or MFDA)
3. securities registrants (under the Investment Industry Regulatory Organization of Canada, or IIROC)

An advisor's respective registration is held through a **dealer** (e.g., insurance dealer, mutual fund dealer, investment dealer), which has its own layers of compliance and due diligence processes to be able to operate and offer financial products and services to the public through its advisors.

Canada's financial institutions, including banks and credit unions, dominate the full-service brokerage and in-branch advice channels, employing thousands of advisors. Additionally, there are a number of independent brokerages that also represent a sizable amount of full-service broker advisors. In-branch advice is also available through Canada's credit unions.

Over 90% of advisors in Canada[3] operate within these advice channels. The remaining categories of financial advisors include deposit brokers, private investment counsel, private bankers, estate and trust, exempt market dealers, fee-only planners, multi-family offices, and scholarship plan distributors.

Product offering considerations:

In order to place an investment in a client portfolio, there are a number of steps taken by an advisor and dealer. In some cases, these rely on common information and data; in others, the due diligence is unique to the party conducting it. For products such as mutual funds, due diligence is relatively simple, as the funds are composed of publicly traded securities and the funds must conform to regulatory standards.

Most social impact investments are private placements, requiring a more intensive and specific diligence review. Where an advisor is using the services or is tied to a dealer, that dealer must approve the inclusion of the investment offering on its platform. The advisor must assess the suitability of the product for their client, which means understanding what the investment is, whether the performance claims of financial and social impact are supported, and if there is a fit for their client.

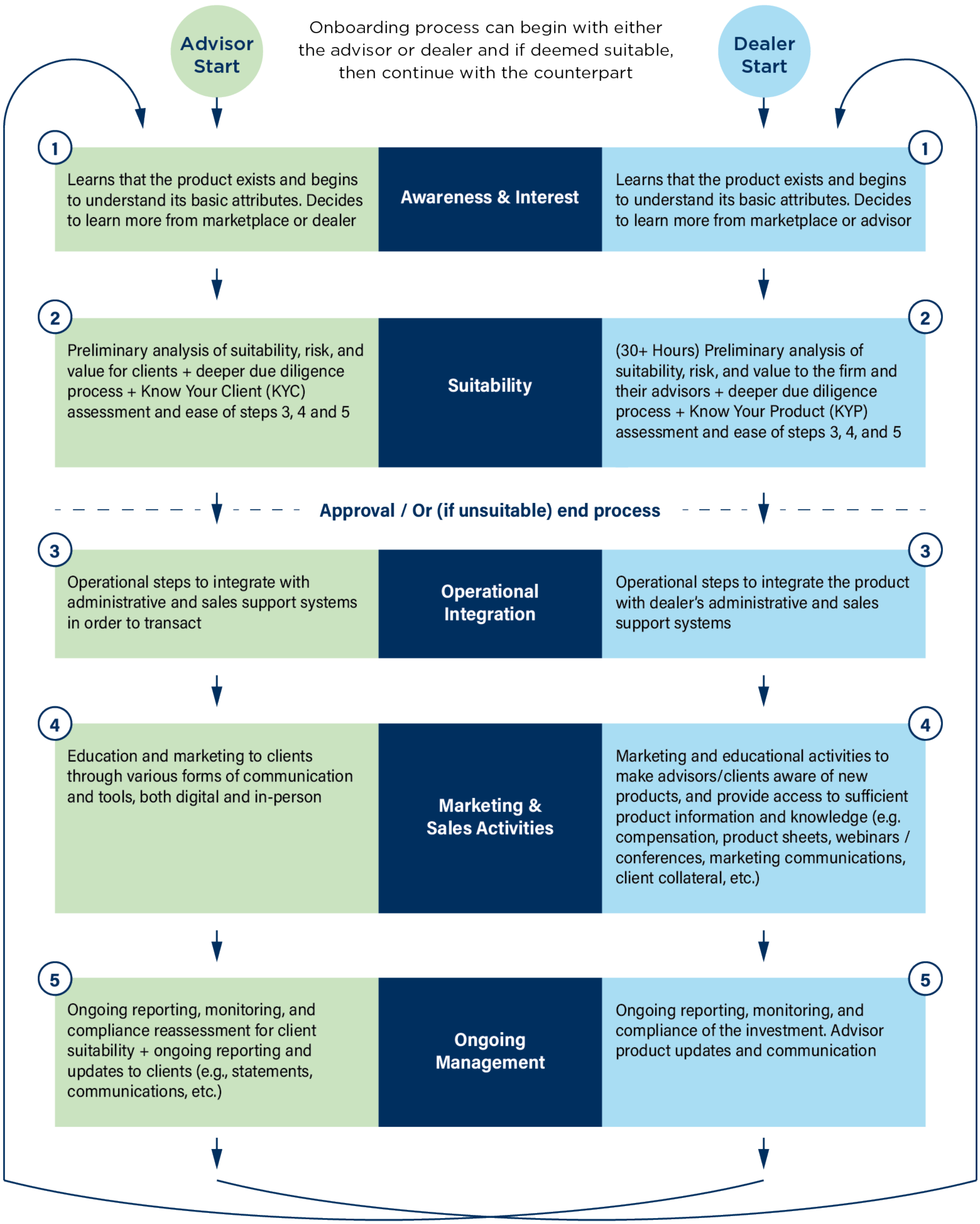
Our primary research started with endeavouring to understand the operating context and decision-making process that wealth advisors must navigate to both bring new products into their offering, and to manage the investment efficiently over time. The key steps below represent those undertaken by most of the marketplace — though there are variations in processes, depending on the many types of dealer and practice. The process outlined below can be initiated by either the dealer, or be catalyzed by the advisor.

Advisors who do want to engage with social impact funds are left to navigate this complicated process in a highly regulated environment, with limited resources and market intelligence or sources of support to increase their understanding of the products (see Figure 3).

3 "The Financial Advice Industry in Canada: An Economic Profile" (Advocis, September 2012), https://www.advocis.ca/pdf/Financial-Advice-Industry-Economic-Profile.pdf. The date of the survey is 2012 and there are no more recent results. Advisors interviewed confirmed that these ratios are likely still accurate.

FIGURE 3: GENERAL DEALER/ADVISOR PRODUCT ONBOARDING PROCESS

* Generalization to show complexity and key steps. Advisors & Dealers will have their proprietary suitability & compliance process.



ADVISOR CONSIDERATIONS INCLUDE:

- What is this? How does it fit with other impact investments, and in the world of investments overall?
- What are the risks to my reputation and/or to my client's portfolio? (Client relationship and trust trumps all)
- What are the rewards? Why should I make the effort to learn more, and what's in it for me and my clients?
- Where does it fit in my practice, and in their portfolio?
- Why choose one social impact fund over another?
- How easy or hard is this for me? What support is there for analysis/data, marketing, investment/transaction, and monitoring?

DEALER CONSIDERATIONS INCLUDE:

- What is this? How does it fit with other impact investments, and then in the world of investments overall?
- What is the risk, opportunity, and value proposition from a bottom-line perspective? (With the exception of some boutique firms that already incorporate impact considerations into the assessment)
- Where do these funds sit in the dealer suite of products/portfolio? How are they sold?
- Does it meet basic Know Your Product (KYP) and compliance information requirements and/or tests?
- If so, is it worth the 30+ hours of due diligence to get the product "on the shelf"?
- If offered, how can the advisors learn enough to be interested, and easily get what they need to effectively sell to clients and maintain the investment?

Who *is* seeking impact? The Advisor Ally:

The good news is that despite the complexity and labour required, impact investing is gaining marketplace awareness, and there are some advisors investing in social impact. Much like the financial professionals who have founded or otherwise been drawn to lead social impact funds, Advisor Allies are "innovators." They come from all different types of firms and practice types, but do share a certain set of values alignment to the role capital can play in solving social and environmental problems, particularly through impact investing and social impact funds. They demonstrated themselves to be collaborative and inclusive in their activities — and committed to move in this direction, despite the operational and financial challenges.

Advisor Allies work in all types of firms, and are finding ways to bring impact investing — specifically social impact funds — into their practices. Advisor interviews confirmed that the advisor is the most logical target for further exploration of how to overcome barriers and attract more investors to social impact funds. **Six Advisor Ally interviews were undertaken from across the country, exploring:**

- Their practice types and client profiles
- How these advisors came to learn about impact investing
- The level of impact investments (and social impact fund) holdings in their portfolio, and the basis for these allocations
- Their process for investing and selling to clients (both through a decision-making and operational lens) for all investments
- The barriers to incorporating social impact funds into their practice, how to overcome these, and the system workarounds that are required

> "[The] terms are all over the place [responsible investing, ESG, impact investing] — what does everything mean? Everyone has a different definition."

Market development challenges

To fill the awareness, information, and education gap, Advisor Allies are making significant efforts to develop communication, education, marketing materials, tools, and events to help their clients. The materials are also used to engage their peers with impact investments, including social impact funds. A common complaint heard from wealth advisors and other investors is the lack of uniform definitions, terminology, and source data. In addition to the general confusion about social impact and impact investment products in the marketplace, there is a lack of uniformity in the presentation of investment opportunities, in reporting non-financial results, and impact measurement.

> "I really struggled in this area, and I'm looking to you to provide resources. I don't know how to communicate with clients [about impact investing] and have no strong action plan for them."

ADVISOR ALLIES ON IMPACT INVESTING:

"[The] terms are all over the place [responsible investing, ESG, impact investing] — what does everything mean? Everyone has a different definition."

"If impact investing were a phrase that were used more frequently, then it would be easier for my clients to adopt it; with more awareness it becomes more marketable."

"One way that I talk about it with my clients is by describing the band between 100% returns and donations — they are not two separate worlds; there is a spectrum in between and it's important to frame impact investing in that way."

"I really struggled in this area, and I'm looking to you to provide resources. I don't know how to communicate with clients [about impact investing] and have no strong action plan for them."

"Some level of financing for advisors to drive awareness [about impact investing] to investors would be helpful."

"Need training for advisors on how to implement an impact investing strategy."

"Clients want to hear more about impact investing, but I don't have information on [social impact] funds to share with them."

Market access challenges

For traditional, publicly traded investments, professional wealth advisors rely on information sources and data provided by trusted organizations such as Morningstar and Fundserv to assess the investment for client suitability, and to access the data needed to purchase and effectively track investment performance on behalf of their clients.

Currently, there is no equivalent level of data available for private Canadian social impact funds. As a result, Advisor Allies have struggled to find the supporting information they need.

> "At the moment, advisors must put in the effort to learn about impact funds. [There is] no central source to learn about social impact funds."

Existing information portals, such as OpenImpact and impact investment platforms like SVX, meet some of the information needs of advisors. However, the research on social impact funds, wealth advisors, and their experience with existing portals and platforms indicates there is a need for better tools operated by credible third parties that are accessible and more complete.

Only half of the Advisor Allies contacted knew of OpenImpact. Of those, only about a third rated it as having the information they needed when assessing its features and functionality. This is understandable, as OpenImpact deliberately limits the information available so as not to cross the line into the regulated activities of furtherance of the sale of securities.

Currently, Advisor Allies are going to great lengths to get what they need — even to the extreme of attempts to develop their own databases with the information to analyze and track social impact funds' performance and attributes. This is an arduous and labour-intensive undertaking that involves extensive data collection and ongoing monitoring and updating. This is not a sustainable activity for just one advisor to maintain for their practice.

Some Advisor Allies contacted for this research are attempting to create their own networking opportunities. Their goals include becoming more versed about current social impact funds and sharing information and knowledge with their peers — both to make the learning more efficient, and to grow the number of advisors incorporating impact products into their practices. This is being done in an ad hoc and inefficient fashion as a workaround to obtaining important information. Advisor Allies have indicated they need more support in this area.

More specifically, the Advisor Allies ranked the following as their most important needs:

1. Support in developing a peer learning network of Advisor Allies, as noted above
2. Professional marketing materials for each fund with consistent data points
3. Marketplace news and updates
4. Professional investor education materials
5. Impact investing market research and client profiling data

Given this is a highly competitive business and that wealth advisor collaboration is rare in traditional finance, this drive for collaboration is especially noteworthy.

ADVISOR ALLIES ON IMPACT INVESTING:

"At the moment, advisors must put in the effort to learn about impact funds. [There is] no central source to learn about social impact funds."

"A platform would be a game-changer."

"A network of advisors interested in impact/ESG is needed. In this way, we could form a community in which we could speak confidentially outside of our organizations. It could be a kind of Impact Advisors Anonymous."

"I'd be interested to connect with other advisors on this."

"I'm hosting an event with impact fund managers and 120 financial planners to introduce them to impact funds."

Product construct challenges

In the few instances recorded where there is product demand by advisors, most social impact funds (as they are now) will not meet the due diligence requirements to be added to a dealer product shelf, usually due to some combination of the following:

- Limited ability to compensate advisors and dealers, as most social impact funds have no advisor compensation built into the business model
- Limited liquidity and regular access to yield (earned returns)
- Long hold terms for investments (often 5 or 10 years)
- Limited yields through the investment term
- Limited reporting data and processes
- Limited track record
- Unsuitable risk/return profile (depending on social impact fund type)

If social impact fund assets cannot be added to the shelf, they will not be incorporated into the advisor's official managed assets ("on-book"). This creates several additional barriers, including rendering most advisors unable to be compensated to purchase and hold these funds on behalf of their clients. This is a very significant hurdle for wealth advisors.

Even if an advisor can be compensated, the inability to purchase and integrate social impact funds into their usual on-book business processes and the inability to use automated in-house portfolio reporting are both especially challenging. This makes it more difficult to access the information needed to properly manage clients' portfolios and risk exposure, both as a client service and as required by the regulators.

ADVISOR ALLIES ON IMPACT INVESTING:

"How does an advisor build a business around this? We need to [be able to] bring assets under management so as to incorporate annual fees charged to clients."

"Compensation; it's costly to keep a private investment on the books — e.g., need to go through audited financial statements [and not doing so increases practice risk]."

"If clients inquire about [social impact funds], I recommend they invest directly."

"Can't get [social impact funds] on books and not able to do off-book."

"Complicated if I can't incorporate [social impact funds] into client statements."

Some key issues:

- managing and tracking fund performance
- re-balancing client portfolios (asset allocation)
- integrated financial reporting (individual holdings and total portfolio)

There are a few types of advisor practices with fee-based business models that don't necessarily have to go through this dealer due diligence process to be compensated for selling private social impact funds. However, the advisors still have the challenges of getting the information they need to find, analyze, and monitor funds on behalf of their clients.

As a result, even the Advisor Allies who would like to include social impact funds in their clients' holdings are often only selling their clients more mainstream public funds, while they find ways to bring what many of them call "real impact" — referring to impact-first investing, including social impact funds — onto their dealer product shelf and on-book.

"Can't get [social impact funds] on books and not able to do off-book."

Risk reduction incentives:

In addressing the product construct and market access challenges, advisors interviewed identified a need for incentives or new products that would have the effect of reducing risk in investing in a social impact fund. Making it easier to incorporate in everyday practice operations (on-book) and sell to clients overall is going to increase appeal and adoption. **Advisors all mentioned some form of incentives needed in these three areas:**

- Guarantees or first-loss capital
- Tax incentives or credits
- Fund of funds (liquidity/risk)

These incentives can reduce the perceived risks associated with a new area of investment, assist in creating sufficient flow to make transactions in these investments and funds more economic over time, and promote interest among investors in social impact investments. It should be noted that in the everyday investor research of over 900 Canadians — in many cases the prospective clients of these advisors — the social impact fund rated "most likely to purchase" by potential investors had a 50% principal guarantee. As one advisor said, *"Advisors need to be motivated,* ***either [by] clients or a tax credit/incentive*** *for clients. What ARE the incentives?"*

> **"Advisors need to be motivated, either [by] clients or a tax credit/incentive for clients. What ARE the incentives?"**

THE PATH TO ADVISORS AND DEALERS OFFERING SOCIAL IMPACT FUNDS

Interest and incentives for dealers and advisors to invest in social impact funds will be driven by the need to remain competitive in the marketplace by offering social impact investment.

Key to offering social impact funds by both Advisor Allies and others is in the increased awareness of the range of investments that fit under the realm of impact investing in general, which includes publicly traded products that are more easily available in the current environment. This more general interest will have the effect of pushing advisors to understand and overcome the barriers to offering social impact funds. As the understanding of — and the desire for — impact investing builds, so will the incentive to reduce or tackle the operational barriers to including social impact funds into this mix.

Advisor Allies play a key role in accelerating this longer transition, but need sector and peer support in the near term — both directly and more broadly — to enable them to have efficient processes, and help build client demand and revenue sources that will allow them to build their impact practices as financially sustainable businesses. This support helps increase assets directed to impact and social impact funds, and reduces barriers for newly interested advisors to do the same.

CHAPTER 3.3

High-net-worth Investors

BACKGROUND

In the context of this report, high-net-worth investors (HNWI) are defined as individuals with investable assets over $5 million. These persons are considered accredited investors, and in some cases permitted investors under securities requirements. **The marketplace generally breaks down information and reporting on this investor segment as:**

- Very high-net-worth (VHNW) ($5 million–$30 million in investable assets) **91,823 individuals in Canada**[1]
- Ultra-high-net-worth (UHNW) ($30 million+ in investable assets) **10,935 individuals in Canada**[2]

While the total number of HNW investors is relatively small when compared to the universe of investors in Canada, the total investable assets are large, and these investors are more likely to invest in private equity placements — including social impact funds — than other groups of investors. Interviews were conducted with investors with varying levels of engagement with impact investing. This ranged from early adopters of social impact funds and public impact products, to those with no public or private impact products in their portfolios. The investors interviewed represent approximately 125 VHNW and/or UHNW investors with a collective wealth of an estimated $10 billion to $15 billion.

HNW investors may make investment decisions on their own, but are often advised by **multi-family offices** (which advise and invest for VHNW and UHNW families that generally have a minimum $10 million in investable assets, but whose wealth can range between $10 million and $15 billion) and **single-family offices** (an investment team for one family that generally has over $200 million in investable assets). For the purposes of this report, these offices and professionals engaged in supporting social impact investment by HNW investors are termed "HNW advisors."

A challenge in learning more about the category of HNW investor approaches is that individuals and families who control large amounts of wealth are extremely diverse in their personal interests, methods of managing their wealth, and their investment objectives. Knowing about some investors does not necessarily assist in understanding or predicting the approach being taken by others. In addition to the challenge of finding the right approach to getting their interest in impact investment products, these investors are busy and highly sought after, which can make them difficult to access. These factors may be the reason there is limited research available to understand their experience with impact investing in general, and virtually no research to date specifically looking at their awareness of and interest in Canadian social impact funds.

The HNW investor research undertaken in the context of the EAII through interviews included efforts to understanding:

- Background, interests, values, and investment motivators
- Investment approach, structure, and decision-making process (including the type and level of data required)
- Who investors look to for advice and information (e.g., peers, platform, advisors, etc.)
- Investors' levels of exposure, awareness, and opinions of impact investing and social impact funds

1 Jeff Wiener, "The Top 1% of Wealth Amounts for Canadians in 2021," *The Kickass Entrepreneur*, January 8, 2021, https://www.thekickassentrepreneur.com/top-one-percent-of-wealth-for-canadians/.

2 *Ibid.*

- Investors' approaches to philanthropy (for themselves or clients)

In the course of the research, if an interviewee self-identified as an "impact investor" or had invested in a social impact fund, specific attention was given to:

- How the investor was introduced to impact investment
- The investor's motivations for the particular investment(s)
- The investment percentage, role, and rationale in portfolio
- The investor's experience with impact investment so far
- The investor's views on opportunities to increase their own share of wallet or portfolio, or introduce impact investments to others
- The investor's opinions on barriers and opportunities to increase their investment in this area
- Investors' views on the opportunities in, and barriers to, including impact products and social impact funds

Given the range of interviewees, it is not surprising there were some key differences in investment approaches, needs, and experiences. Clear differences were observed between the investors who are mostly looking after their own portfolios or have professionals that manage their portfolio directly, and investors who work through single- or multi-family offices, more formalized investment vehicles, and/or with in-house specialists dedicated to the wealth management (and personal) needs of their HNW clients.

KEY FINDINGS

- There are fewer regulatory barriers to social impact investment by HNW investors (unlike everyday retail and mass wealth investors).
- Where barriers to social impact investment exist, they are similar to other investor types, such as a lack of knowledge on products available, as well as a lack of understanding of social impact investing and advisory resources to support investment due diligence and decisions. These factors are compounded by inconsistent marketing and terminology of "impact investing" in the financial marketplace.
- HNW investors who manage their portfolios more directly are more likely to be engaged in social impact investing than those reliant on arm's-length multi-family office structures (HNW advisors).
- An investor's level of investable assets has little to do with the likelihood of them making social impact investments. Social impact investment decisions are influenced by areas of interest, and by investment style and intent (i.e., an investment profile, rather than threshold).
- The term "impact investing" had a broad interpretation, ranging from philanthropy through to public investments that incorporate environmental, social, and governance (ESG) factors into decision-making.
- The interviews conducted as part of this project reveal some apparent differences in investment approach, objectives, and risk tolerance within the HNW category of investors. Two groups most likely to invest in impact products are:
    - Early Adopter HNWI Champions: Mission-driven investors putting in much effort to incorporate social impact investments (what may be referred to as "real" impact investments) into their investment and/or philanthropy portfolios

- Single-family offices: Driven, diverse, and entrepreneurial, where decisions based on investment principles and philosophies shape the investment approach and where social impact funds are more likely seen as either an investment opportunity or philanthropy

- Based on the research interviews, there are two investor profiles that are likely to be slower to invest in social impact funds:
    - HNW angel investors: Entrepreneurial, active investors who engage directly in and are connected with investee ventures
    - Multi-family offices: Conservative, sophisticated professional investment approach, often managed portfolios, usually key decision-makers about investment holdings (not underlying HNWI client)

The more striking, and not necessarily intuitive, distinguishing characteristics of these investors are discussed later in this section of the report.

KEY RECOMMENDATIONS

HIGH-NET-WORTH INVESTORS AND ADVISORS

As noted in this section, the barriers facing HNW investors and their advisors are similar to other investor categories. HNW investors have a greater ability to overcome these barriers (more professional resources available, lower impact of illiquidity of investments) but require the same, or in some cases greater, access to data and fund information. To support HNW investment in social impact, it is recommended that consideration be given to:

Creating or enhancing a sustainable peer network for Early Adopter HNWI Champions

- created with known Early Adopter HNWI Champions to serve their immediate needs
- attract other early adopter HNWIs currently unknown to the sector through HNW networks
- allow identification of commonalities and key thematic interests

A peer network can provide a forum and access point for Early Adopter HNWI Champions. This would help them find each other, collectively review available products, provide a point of contact for social impact funds to deliver joint pitch sessions, and generate additional interest in social impact investment. This would also provide an access point for feedback about the development of educational and information support tools noted in Section 3.4 - Broad Scale Recommendations.

SVX, Spring Activator, and international groups like Toniic and Triple Bottom Line Investors (TBLI) all have activities in this space, but the degree of focus on social impact funds in these groups is limited to date. A more recent initiative by SVX, Impact United, is a broad gathering of interested impact investors (and potential investors) — but it is not clear that there are specific outcomes to this initiative that would meet the needs of HNW investors and their advisors. Assisting in the development of a peer network for HNW investors and advisors could be supported by the Table of Impact

Investment Practitioners (TIIP), as the members of that table would be beneficiaries of the effort.

This work could start with the engagement of HNWI to identify any elements that could be incorporated into existing groups to meet undiscovered needs in directing capital to social impact funds. The intention is not to replicate existing efforts, rather understand if something else is needed, or supplementary activities could result in increased capital deployment to social impact funds.

As single-family offices, for the most part, do business through known, trusted networks and contacts, accessing these investors through existing investment networks like Club b (a network for single-family offices), or other existing philanthropy circles or advisors is likely to be a more successful approach than seeking one-on-one meetings or peer network forums. TIIP may want to devote resources to uncovering networks similar to Club b to increase awareness of social impact fund investments among these investors.

Increase "way finding" resources for HNW investors:

Both Early Adopter HNWI Champions and single-family office prospect investors interviewed indicated a lack of ability to find relevant private social impact funds easily, at the right time (they are investing /fund is open). The information gaps are discussed above and elsewhere in this report. In interviews, some HNW investors indicated a desire for access to way-finding resources. These can be automated, such as an enhanced information portal that can identify social impact funds based on investment approach and philosophy. It is likely a more bespoke service is required to meet investor expectations.

Developing an economic business model to provide this service is a challenge, particularly at a time when there are few social impact investors identified. Investors did note that this service — if viewed as sufficiently neutral in terms of fund affiliations or sector interest — would be welcome. This approach may deserve more investigation by TIIP, or a sub-set of members interested in the development of this investor segment as social impact investors.

The need for a central source of information has already been indicated across this report, but HNWI investor discussions indicate that in addition to a technical resource, another layer of basic, unbiased, personalized investment curation, based on their interests and investment approaches, could directly reduce barriers in the near term. This may now be fulfilled with the fund profiles on the recently completed Table of Impact Investment Practitioners website, though this will be limited to members' information.

SOCIAL IMPACT FUND MANAGERS

For social impact funds, it is recommended that they engage in a collective discussion on the level and areas of possible collaboration in order to attract HNW investors. Not all social impact funds will have an interest in this. **Where there are a number of funds willing to engage, they are recommended to:**

Organize opportunities for joint pitch presentations

Organize opportunities for joint pitch presentations be created through TIIP or other willing supporters, in order to address thematic interest

Assess the feasibility of offering joint and/or shared due diligence

Assess the feasibility of offering joint and/or shared due diligence (independently conducted) in conjunction with professionals able to offer this service

Consider two different positionings in their investor communication materials, where relevant:

- A demonstration of the unique benefits of social impact funds relating to investment portfolios (examples might include asset allocation benefits, diversification, preparing for intergenerational wealth transfer, etc.)
- A demonstration of the unique benefits of social impact funds when incorporated into philanthropic dollars (examples might include more scalable giving, access to different types of ventures, supporting innovation for non-profits, etc.)

CONTEXT AND RESEARCH FINDINGS

Barriers to social impact investment

The limited secondary research available, as noted above, and the reported experience of social impact funds did assist in guiding the focus of interviews with HNW investors and their advisors. While the interviews addressed impact investing in general, efforts were made to narrow the conversations on social impact investing — identifying the barriers and opportunities for these investments, and where capital flow into funds could be increased.

Available research does point to existing barriers to investment by HNW individuals and their related offices:

- **Lack of qualified advice and expertise** — individuals may not possess the required knowledge and experience in social impact investing, and there are limited advisory resources available to assist in these decisions
- **Lack of access to viable products and investment options** — the social impact investment product universe in Canada is growing, but there remain a limited number of options in total. When matched to investor interest, desired fund profile or characteristics and portfolio composition, the number of available investments is very low

- **Lack of liquidity** — while liquidity is usually a lesser issue for HNW investors, it remains a concern, particularly where social impact funds require long lock-in periods with little or no yield during the period of investment
- **Perception of (poor) financial performance** — this may be based on actual experience, but may also be a lack of understanding of risk profiles of social impact funds, and therefore a perception that the returns are not properly risk adjusted
- **Perception of (high) risk** — as noted above and elsewhere in the report, social impact investment risk assessments are often based on perceived risk rather than actual risks. With limited social impact fund track records, this issue remains a concern for many investors.

Opportunities

HNW investors are key to increasing the flow of capital to social impact funds. These investors face fewer regulatory and financial hurdles when compared to mass wealth or everyday investors, and have access to resources that can support investment decisions — unlike other investors who are reliant on more conventional advisory services or their own research.

HNW investors:

- Are accredited individuals, and therefore not constrained in making private placements into social impact funds formal
- Are generally more familiar and comfortable with private placements in their portfolios, and understand and have access to resources to conduct due diligence on investment offerings
- Can influence advisors and peers to incorporate social impact investment in portfolios (pull factor) through networks and personal relationships
- Can often access investment structures like foundations or investment funds that have limited or no regulatory restrictions to invest in social impact funds
- Can manage specific social impact investment risks through portfolio construction and management
- Can become co-investors (in underlying investees) as well as investors in the social impact fund

Information gained through interviews confirms that HNW individuals and advisory offices, when interested in social impact investing, can have an outsized influence on the financial sustainability of funds and their ability to attract other investors. In this way, HNW investors are catalytic for some social finance funds.

For social impact investment funds, key points they raised in interviews point to actions that can be taken in support of increased interest and eventually investment from this group:

- A need to create a marketplace profile with investors focusing on how the investment value proposition (in addition to mission) has proven to be successful in attracting capital
- Personal introductions from trusted sources are still the primary source of investment from HNWI. Finding ways to scale this process in collaboration with other funds or professionals will reduce time and costs in raising capital
- Find and inform HNW investor networks, as this is one of the primary conduits for information for this group. A key part of this is to identify investors with a thematic interest that matches a social impact fund, as personal interest opens doors more quickly
- Patience and persistence is necessary to break through with HNW investors — they have many investment choices, and become convinced of the value of social impact investment through due diligence and relationship building.

Findings

All investors interviewed were sophisticated and savvy individuals, experienced in business and as investors. As wealth increases, so does financial and investment complexity and the need for more formalized investment management and specialized professional advice.

Investors with over $5 million tend to seek out estate and financial professionals with whom they maintain a direct relationship. At $10 million, it was observed that tax, financial, and family wealth issues become even more complex, and the cost of using a multi-family office becomes more attractive. Once investable assets exceed $200 million, forming a single-family office and hiring a team of professionals dedicated to managing these assets can become more economical and appealing. While this is the general approach, the decision also depends on the family itself. Preferences on the level of control over decision-making, comfort with outsourcing investment management, and other factors influence the HNW investment management approaches.

As noted above, categorizing HNW investors and identifying trends or patterns in investment approaches is difficult. It is likely there are as many differences among investors as there are similarities. There is a risk that grouping HNW investors minimizes these individual differences. Notwithstanding these challenges, four discernible groups of HNW investors were identified based on the interviews conducted:

INVESTOR PROFILES

1. HNW Angel Investors:

Entrepreneurial, active investors, directly involved in ventures

Profile:

- **Active Investors** - Enjoy the "game" of being the ones to select the investees and need direct involvement with private investment teams and decision-making.
- Often assemble into investment groups with thematic interests (e.g., tech, green, women, health, etc.).
- Tend to keep wealth portfolios and private investments separate (low risk vs. high risk, respectively). Highly focused on risk/return for non-venture components of their portfolio and paying others to manage according to specific investment goals.

Experience and exposure to impact investing and social impact funds:

- Not investing in public impact funds.
- Very limited awareness or interest in social impact funds identified.
- *Impact investing* is primarily defined as direct investment or alternate forms of revenue generation for "good causes."
- Selection of investment targets is not based on impact metrics.`

2. HNW investors — Early Adopter HNWI Champions:

Mission-driven investors putting in high levels of effort to incorporate "real impact" (deeper impact than what is available from the more accessible sustainable and responsible investments) into their investment or philanthropy portfolios.

Profile:	Experience and exposure to impact investing and social impact funds:
• Savvy and action oriented — recently exited or retired business owners with some interest and assets to place in the market. • Usually have an impact theme they are already interested in supporting (e.g., gender, diversity, health, environment, etc.). • Want professional, *unbiased* advice about social impact funds and have difficulty finding it. • Pushing their advisors to learn about impact investing. How does it fit in their portfolio? • Looking for professional information, tools, and case studies to support their knowledge — and that of their peers and their advisors. • Concerned that what's available to them now is not really "impact" at all. Settling for less impact in investment portfolios than they would like (such as in public funds) until it's easier to incorporate social impact funds. • Concerned about the quality and consistency of impact reporting and being able to track "real" impact.	• Usually learn about impact investing through networks, friends, and/or family. • Networks generate additional exposure to social impact investment opportunities. • Often do not feel they are exposed to the products they are looking for or that are appropriate for them. • Currently often investing in private social impact funds within philanthropic funds — either as philanthropy or blended — using investment returns to cycle back into philanthropy. • Actively recruiting family, contacts, and peers to become impact investors. • Setting up their own groups, helping each other, and even co-investing — predominantly positioned around philanthropy, but including impact investing.

3. Single-family offices:

Diverse, entrepreneurial, principle-driven decision-makers with an active, professional approach that view social impact funds as an opportunity or philanthropy

Profile:

- Managed by sophisticated finance professionals — often with venture capital and investment banking backgrounds
- Each is unique — investment philosophy and interests driven by personal interests and backgrounds of the principal and/or family.
- Final say is usually made by the family and/or principal — generally they like control
- Capital protection and returns-driven, they follow a specific asset allocation mix and portfolio criteria (or very specific thematic interests)
- Generally, look for "scalable" opportunities (i.e., have a large geographic scope such as North America vs. local)
- Work with a diversified team of professionals (tax, legal, etc.) who all have to be onside with investment decisions
- Deals *must* come to them through trusted networks and introductions — they don't actively seek investments
- Syndicate with other family offices, financial institutions, and funds
- Commonly reported negative experience with government-initiated Labour Sponsored Funds (LSF) in the 2000s
- High level of trust for funds with government backing, despite LSF experience.

Experience and exposure to impact investing and social impact funds:

- Confusion about language — in many cases, impact is often defined as, or includes, "ESG." Even with explanation, they are not clear on the different options
- Those who have invested in impact do so for either expectation of competitive venture capital level returns within high risk allocation, or for non-scalable or concessionary returns, through philanthropy allocation
- Introductions have come through trusted personal connections or exclusive curated events such as Club b (a membership club for single-family offices).
- Some direct investment in cleantech but largely return-driven
- Indicate inclination to be innovative with philanthropy capital/concessionary
- May seek local impact, but it must fit their thematic interests and have a strong value proposition, including tangibility
- The "do good" characteristics of social impact funds are insufficient to engage attention or interest
- Open to investing more capital if there were appropriate deals available that fit interests and investment style and support targeted portfolio positioning
- Recognize that ESG is on the rise and want an element of ESG in their portfolios. The gap can be filled if there are approaches to mitigate risk to investment capital or performance.

4. Multi-family offices:

With a conservative, sophisticated professional investment approach and often managed portfolios, multi-family offices are usually key decision-makers about investment holdings (as opposed to the underlying HNW client driving decisions)

Profile:

- Manage large, highly diversified portfolios with a wide range of types and classes of investments
- Investment decisions are largely left to management teams' investment decisions vs. the family
- Investment selection is focused on risk-adjusted returns and tax efficiency
- Primary drive is to seek absolute returns while managing risk
- In any new investment, expect professionalism and credibility, strong teams, and a track record of investment success (multiple years or experience with building and managing funds)
- Highly reliant on industry statistics, analysis, and data for measurement of investment likelihood of future success
- Private investments are in "well conceived" deals in known asset classes with (proven) teams they trust
- Liquidity is important
- Conduct their own due diligence

Experience and exposure to impact investing and social impact funds:

- Some awareness of different types of impact investing, and also some familiarity with an unsuccessful attempt to streamline impact taxonomy several years back
- Some ensure investments are signatories of the Principles for Responsible Investment (PRI) but are aware that is "not enough"
- They are starting to do research and test ESG funds in their portfolios, but with a view to implement in a number of years
- Impact investing has been driven by client demand but rarely asked for
- Indicated expectation that generational change will drive interest in impact investment and social impact investment
- No knowledge or awareness of private social impact funds currently in the Canadian marketplace
- Monitoring of "impact investing" broadly referring to ESG through "privates" but not investing in either in the near term due to no client demand — and they are not yet convinced of the commercial opportunity.

IN THEIR OWN WORDS

HNW Angel Investors
"...the appeal [of angel investing] is being in this lovely group of people, doing it together, hands on."
"How I describe my job to many people is that I manage risk for a living, both on the private equity side, the public equity side, and my own lifestyle..."
"I'm very interested in the data, getting to know the team directly, how's the board governance ... you have to dig, dig, dig."
"It would be good to have different tiered entry points or categories where more sophisticated investors can choose either the whole fruit basket, or just the apples ... a little more complicated to administer, but think it would open up a lot of capital — I'd be happy to pay a fee for that."
"Our advisor is paid to keep our [main portfolio] money safe."

Early Adopter HNWI Champions
"I brought money to my advisor and told him what I wanted (impact) and he had no idea about what to buy or the options. He had to do a lot of work."
"They should be working for the Sustainable Development Goals, not against them." (On some of the "impact funds" available to them not being true "impact")
"Where are the advisors doing this? Who can look across [all impact funds] and tell you what there is that could meet your needs?"
"How do you assess managers, track-record, what's worked and hasn't?"

Single-family offices

“Language is a problem — I’m not sure of differences between ESG, impact, etc. What are the definitions?”

“Everyone is running away from the oilsands. They’re not doing it because of the ESG, they’re doing it because of the economics.”

“Economics drive 95% of [our] portfolio.”

“Don’t expect a halo effect because you’re doing good. It must be competitive. If it’s not scalable, it goes into philanthropy or the no-go pile.”

“Small social impact funds comes to us, a little bit like aggressive philanthropy, but money goes out the door — we don’t get a tax receipt, and we’re just kind of supporting [that person’s] cause.”

“Legacy (doing good) is so intangible — [impact investing] needs more presence, staying power, and storytelling to better tell the value”

Multi-family offices

“I would have thought responsible investing would become more mainstream, but it’s just not here yet. Really no demand from clientele — it’s on the horizon but it’s not a priority. We need to build desire.”

“We’re an evidence-based shop — we’re monitoring ESG, but not convinced it will allow for better returns.”

“When we’re looking at investments, our mandate is to strive to deliver superior post-tax, real (post-inflation), risk-adjusted returns that are commensurate of the family’s objectives and risk profiles (fiduciary and psychological). Impact investing would have to fit in that sentence itself — can it work?”

“Our clients are the ‘forgotten wealthy’ that have about $10 – $75 million — wealthy but not necessary ‘liquid,’ or just enough to meet their (high) expenses. Every dollar counts.”

BARRIERS & OPPORTUNITIES

HNW Angel Investors:

Barriers to social impact fund adoption	Future opportunities
• Had varied understanding of "impact investing" • No direct access or control over underlying ventures and teams • Lack of confidence in data or proof of impact • Lack of information and tools to learn about impact investing and the opportunities at hand • Perception they can achieve similar or better investments returns through self-management • Perception that social impact funds don't fit in their traditional wealth portfolio (low returns, high risk)	• May co-invest in underlying ventures with a social impact fund • If they could invest in some of the portfolio in an "a la carte" fashion, they would pay a fee for that • Peer learning networks that might mirror the angel experience **Short Term:** Co-investors (not into social impact funds) or **Medium to Long Term:** Hybrid "a la carte" options

Early Adopter HNWI Champions

Barriers to social impact fund adoption	Future opportunities
• Varied definitions of "impact investing" • No advice available • No information about "impact investing" and what's available to themselves or advisors • Labour intensive • Low liquidity • Long hold	• Support to bring together peers • Facilitate connections with unbiased impact advisors • Access to information about what's available (for all all levels, including public and private) • Access to education and examples of social impact funds, as well as how to assess financial and impact return of these investments • Access to impact case studies • Provide a list of potential speakers for events **Short to Medium Term:** Investment, philanthropy, awareness building

Single-family offices:

Barriers to social impact fund adoption

- Language — "What are the definitions?"
- Lack of liquidity for private investments
- Returns don't meet investment needs
- Must come through trusted networks (but social impact funds are little known)
- Worried about impact-washing (across all classes of impact)
- The social impact funds that do come to them are not always presented with the right value proposition or capital pool — i.e. they are introduced as "investments" vs. "scalable philanthropy" or "innovation in philanthropy"
- Likelihood that the interest in social impact funds is dependent on alignment with the principal's thematic interest.

Future opportunities

- Social impact funds that meet investment criteria present themselves as such — "do good" is secondary or correlated to the return on investment
- Tax incentives or government guarantees can act as a stamp of approval on funds
- Strategies that "unlock" tax incentives from family trust capital
- Start with "scalable philanthropy" approach
- Approach by theme
- Ensure that the impact created is immediate and visible, such as charity events, stories, and press recognition
- Work with family office groups like Club b

Short Term: Scalable philanthropy/scalable investment

Medium to Long Term: Investment within public/private impact fund

Multi-family offices:

Barriers to social impact fund adoption

- Confusing language (often equate impact investing with ESG or risky private deals)
- Not convinced ESG is a commercial opportunity
- Not comfortable with "private deals" with unknown or unproven teams
- No interest from clients
- No access or information
- Clients have a lack of liquid capital for investments that do not meet targeted returns
- Hold times are too long

Future opportunities

- Demonstrate commercial opportunity (ESG first and then social impact funds)
- Tax incentives
- Listing on Fundserv or similar access platform
- Incorporation into a broader fund
- Open doors and build relationships with a scalable philanthropy approach

Medium to Long Term: Scalable philanthropy

Long Term: Investment within public/private impact fund

PATIENCE IN ATTRACTING HNW INVESTORS

Investors following a scalable philanthropy approach may increase their level of investment into social impact funds through a better ability to discover and be introduced to social impact funds — and with that, better clarity on the value proposition and fit for their respective capital pools (either investment or philanthropy). Even if a social impact fund has an investment profile that may fit their high-risk investment category, it may be easier to gain trust and build the relationship by starting with philanthropy.

Multi-family offices will, for the most part, be slow to make significant social impact fund investments. Investment processes and objectives do currently appear to place weight on social impact outcomes, and there is a preference on achieving impact or ESG outcomes through public funds. There's some chance of multi-family offices including impact investments in philanthropic capital but, as with investments, this will need to be considered as valuable to their entire client group.

For many HNW investors, public responsible impact investing and sustainable impact investing funds are the "toe-in-the-water" entry point that can eventually open the door for investments into social impact funds. This is either due to easier access or as a first point of learning and comfort, in order to move along to learn about a range of impact products. Anything that can be done to increase awareness, understanding, and desirability of the spectrum of impact investments will support social impact funds in the long term. As these investors want to invest through their wealth advisors — or in the case of single- and multi-family offices, have direct contact with social impact fund partners — this type of investor is unlikely to transact over a platform, but will benefit from access to the information on a discovery portal.

SYSTEMS-LEVEL CHANGE AND INCENTIVES

As noted in the introduction, government policy, new product development and high-level finance regulatory changes fall outside of the realm of this research but it's important to note that HNW investors reflect the same comments as the wealth advisor findings: any efforts in the marketplace to offer principal guarantees, tax incentives, higher liquidity, and other innovations in product packaging would go far to enable social impact funds to increase attraction for all types of investment capital. These approaches have been used in the past (for example development of the venture capital investment marketplace) and for investment-led economic development. Currently, the success of tax-driven programs in demonstrating the importance of these instruments in the creation of an investor interest in social impact investing.

A FINAL NOTE: THE VALUE OF INDUSTRY AND SECTOR COLLABORATION:

Given the expected correlation of growth in adoption of impact investing and adoption of social impact funds, it will be important to explore synergies and seek collaboration with other impact investment networks and initiatives in the Canadian marketplace, as well as for social impact funds to collaborate with each other in order to deliver the quality and scale of measures needed to compete in this marketplace.

CHAPTER 3.4

Broad-scale Recommendations

Included in the preceding sections are recommendations specific to investor groups, advisors, and social impact fund managers. As noted at the outset, these are intended to stimulate discussions among various actors in the social impact investment ecosystem, and to point to areas for action, both individually and collectively. The recommendations set out below are made with the same intention. These relate to social impact investment in general or collectively to the three categories of investor that are the subject of this research.

Given the expected correlation of growth in adoption of impact investing and adoption of social impact funds, it will be important to explore synergies and seek collaboration with a range of investment associations and initiatives in the Canadian marketplace such as the Responsible Investment Association (RIA), the Table for Impact Investment Practitioners (TIIP), and wealth advisor groups. It is also incumbent on impact intermediaries and funds to collaborate with each other in order to deliver the quality and scale of measures needed to compete in this marketplace. Fortunately, social impact funds have a long history of collaboration for the good of the whole, both informally and more formally in the recent legal formation of TIIP, as well as through a number of regional peer groups across the country.

1. GENERATE AWARENESS AND DEMAND

Build general marketplace awareness, understanding, and demand for social impact funds. This will support early adopter advisors to accelerate their promotion of social impact funds and create a "pull" for slower-to-adopt advisors, and stimulate dealers to adapt their processes to accommodate these products.[1]

Sector messaging and PR initiative:

Develop consistent investor-focused messaging that clearly communicates the social impact fund shared value proposition. This approach creates unity in sector-wide messaging for outward-facing engagement channels, and sets out the value proposition of social impact funds to the marketplace and positions them within the broader impact investing space.

The successful deployment of the Social Finance Fund, including achievement of the goal of leveraging private investment capital, will in part depend on a "sector brand" being developed. Not to be confused with the marketing of individual funds and investment opportunities, this collective would be designed to create a distinction for social impact from other impact or responsible investment funds. These efforts could be supported by TIIP, or more collectively by TIIP and other sector actors.

The messaging approach needs to create awareness and:

1 This is based on findings from interviews of HNW investors, as well as the everyday investor research. This also aligns with the broadly recognized AIDA principles on how to engage market participants: Awareness, Interest, Desire, Action.

- Stay within regulatory requirements related to marketing of securities
- Allow for individual social impact funds to maintain and promote their particular brand within a collective approach
- Be used by a sufficient number of social impact funds so as to create momentum and a market credibility
- Have a significant number of social impact funds agreeing to use the messaging, in order to achieve maximum benefit

Ideally, this is followed by a broad awareness campaign of some type. Viability and form would need to be further investigated, but investor and advisor conversations, as well as social impact funds feedback on this topic, highlighted the need for broad awareness and credibility in the marketplace. Development of some key aspects of a repeatable localized campaign could also be investigated.

2. PROVIDE MARKETING AND EDUCATION PROGRAMS, MATERIAL AND TOOLS:[1]

Develop professional, harmonized, and templated investor-facing educational and marketing materials and programs to support existing and new social impact funds. Materials should incorporate and benefit from the messaging and sector branding discussed above, but still allow for social impact fund branding and customization. There will likely be more than one level of information needed — advisor facing, as well as end-client facing.

- Examples of this include: sector news and updates, templated and brandable fund fact sheets, educational materials, presentations, webinars, and other print and digital media forms.

There is a need for more targeted content that many social impact fund managers can use, such as a general introduction to social impact investment that can be used in information sessions with potential investors. This can be a template presentation developed

1 Note: While the research has provided initial direction about what kinds of information are needed, deeper work with advisor allies (and their clients) is needed on key elements of these materials to ensure these are of value. Input from relevant associations such as the Responsible Investment Association and advisor member associations like Advocis, Financial Planning Association of Canada, and others who have professional development tracks and programs for wealth advisors will be of value.

for different groups: advisors, Early Adopter HNWI Champions, and social finance organizations. Examples include podcasts, blog posts, and articles that can be used by different managers in their marketing and engagement efforts.

SOCIAL INVESTMENT FUND MANAGER INPUT

TIIP participants were invited to a feedback session in the fall of 2020 to review high-level research findings to date, along with emerging solutions and/or recommendations. The session focused on exploration of opportunities for collaboration related to three key barrier areas identified: marketplace awareness and understanding; investor and advisor education; and marketing and investor acquisition.

The session included a segment of facilitated exploration of solutions with three breakout groups of social impact funds exploring the respective barrier/opportunity areas. Resulting ideas were ranked according to impact/effort to implement. Some of the results are presented in dark blue boxes across this section of the report to provide a flavour of the types of solutions identified as of potentially high value.

It should be noted that while the EAII research segments all point to the importance of overcoming barriers in these key areas, this was a brief exercise intended to provide a point of information exchange between social impact funds and EAII project and social impact funds, and begin a collaborative process of exploring possible solutions to barriers to investment. As noted in the recommendations, further work is required to refine the elements of the strategies developed in the course of this dialogue. Additional information and reporting on recommended next steps from the fall 2020 findings and idea session can be found in the Suppelementary Information — Research Direction Feedback and Ideation Session with TIIP.

Awareness and messaging

Ideas suggested from one of the breakout groups during the TIIP feedback session held in the fall of 2020. These ideas were thematically linked and arranged according to effort and impact. Please see the dark blue boxes below for the ideas identified as low effort and high impact for the sector:

PR, marketing, and messaging:
Low effort/high impact

- Rebuild messaging, for example as “Good & Green” which would tie into the Social Finance Fund, and “Build back better” for COVID-19 stimulus messaging
- Collaboration on broader public messaging and agreement across social impact funds. This could be tested through A/B testing and professional workshops
- Myth busting, particularly targeting concerns around risk/returns to reduce barriers to entry
- Celebrity spokesperson
- Collaboration with institutions such as credit unions
- Create an impact investing week

Education and specific marketing programs and tools:
Low effort/high impact

- Values-aligned storytelling
- Standard nomenclature
- Impact 101 materials
- Short accessible podcasts
- Peer-sharing network of information for social impact funds
- Dedicated impact investing website
- Investor referral program

IMPROVING ACCESS TO SOCIAL IMPACT FUNDS, DATA AND INFORMATION TO SUPPORT SALES AND REPORTING

Investigate development of a more effective impact investing discovery portal

All advisors expressed the importance of being able to find and access information about social impact funds in one central place. In feedback sessions, social impact funds expressed the value of being able to provide their information to interested investors (and advisors) in the same way.

For this portal to be of value to any type of potential user — advisors, social impact funds, or investors — it must have a level of awareness in the marketplace, and as such it would benefit from the awareness-building initiatives previously noted. It could be an important access point for the marketing and educational tools and fund information listed above.

Creating an easily identifiable and accessible portal for social impact funds is a major initiative with much still to understand about necessary features and functionality. There are many considerations, including to what degree existing portals and platforms in the impact and private market community can be leveraged.[1]

...advisors commented that any efforts in the marketplace to offer principal guarantees, tax incentives, higher liquidity, and other innovations that have been used to stimulate investment in other areas (venture capital, targeted industries) would have a significant effect on increasing the flow of capital to social impact funds.

As noted in the introduction, government policy, new product development and tax and securities regulatory changes fall outside of the realm of this research. It should also be noted that advisors commented that any efforts in the marketplace to offer principal guarantees, tax incentives, higher liquidity, and other innovations that have been used to stimulate investment in other

1 See Chapter 4 — "Fund Operations and Technology"

areas (venture capital, targeted industries) would have a significant effect on increasing the flow of capital to social impact funds.

Some of these approaches have been used in Canada with success, like the development of the venture capital investment marketplace, CED investment co-operatives in New Brunswick, and the Community Economic Development Investment Funds (CEDIF) in Nova Scotia. Currently, the success of tax-driven programs is demonstrating the importance of these instruments in the creation of an investor interest in social impact investing. Incentives with broader applicability and benefit will have greater impact than the few provincial targeted programs that currently support social impact investment.

Increasing the flow of capital to social impact funds

Capital raising and investor relations:

- Retail investors — accredited — how to "invite"
- Find ways to be collaborative in capital raising and not to compete among social impact funds
- Non-profit that runs a platform for investor marketing, awareness, building, sector mapping, and due diligence
- Common service provider that small funds can outsource to conduct back-office work in an affordable manner. The services could include signing up investors, produce statements, record keeping, etc.
- Portfolio managers, such as Rally Assets or Genus Capital, would help create impact portfolios for accredited investors
- Create an independent organization/ platform that can create the "'handshake"' between investors and funds
- All participants own a part of the common structure? Collaborative, cooperative structure to reduce duplication. Dual win: demonstrate values and deliver value.

CHAPTER 4

Fund Operations and Technology

BACKGROUND

The Expanding Access to Impact Investment (EAII) initiative assessed the structure and operations of a select group of social impact funds to understand current best practices and examples of innovative or alternative structures being used to increase the flow of capital for impact investment. While many existing funds follow traditional structures, there are examples of alternative structures being used that are promising models for certain types of social impact investing.

In addition, the EAII initiative completed a study of existing technology platforms in Canada for attracting impact investing capital to social impact funds. This included secondary market research and primary interviews with four technology fundraising platforms: SVX, CoPower, Frontfundr, and DealSquare.

> **Investors tend to invest in what they know or can easily understand. Complex or unfamiliar structures may act as a barrier to many investors, despite investment suitability.**

SUMMARY OF FINDINGS

While no structure or fund operation model has demonstrated an advantage in raising non-institutional capital, EAII identified a number of key barriers for social impact funds to access greater pools of capital, including:

- **Investor familiarity:** Investors tend to invest in what they know or can easily understand. Complex or unfamiliar structures may act as a barrier to many investors, despite investment suitability. To the degree that fund structures use models that are familiar to investors and advisors (e.g. limited partnerships) and minimize unique attributes, this may assist in developing an undersetting of the investment offering.
- **Lack of liquidity:** The majority of social impact funds have illiquid structures (e.g., private equity and private debt) with no redemption options over a long investment time horizon (e.g., five to 10 years). In many cases redemption options are limited and can be restricted by the fund, increasing the uncertainty of the investment horizon. Structuring funds that have clear exit opportunities for investors and predictable time horizons lessens investor uncertainty and risk.
- **Below market-rate returns:** Not all social impact funds target "risk-adjusted returns" or "market-rate" returns. Investor attraction is based on social impact, which requires knowledge and understanding of the impact strategies and an ability to assess whether these are likely to achieve the stated goals. This can be a barrier for investors unfamiliar with impact investment, or lacking the resources for due diligence on the investment opportunity.
- **Accessibility:** Certain traditional fund structures (e.g., private equity or venture capital) are not accessible to a large proportion of the investing population, largely due to strict compliance and regulatory constraints.[1] Discovery portals can provide increased access to impact investment, provided these are known or that there are opportunities to drive interested investors to these resources.

1 For more details see Chapter 5 — "Legal Considerations for Social Impact Funds"

- Portals are most likely to be effective if they are linked to transacting platforms. A more seamless experience, from impact investment discovery to the ability to invest, is likely to increase the flow of assets into the social impact investment space. Current transacting platforms are not well known or utilized by an extensive group of investors due to a number of persistent barriers in the market.

Structuring funds that have clear exit opportunities for investors and predictable time horizons lessens investor uncertainty and risk.

FUND STRUCTURES

Social impact fund structures are primarily tax driven and based on the underlying business activities and targeted investors (e.g., taxable or tax-exempt).

The EAII research found that the majority of social impact fund structures follow traditional methods (see examples of various fund structure). Many of these are "closed-end" funds, which are characterized by a specified fund lifetime and fixed amount of units/shares offered. This fund structure has an exit-oriented strategy to liquidate the fund's investment by a targeted term (e.g., five to 10 years), which may discourage a longer growth period for the underlying impact investments. For example, it can take an impact enterprise up to 10 years to realize its business potential and generate sustainable profits, and the pressure for a fund to exit may disrupt the natural growth trajectory of the underlying enterprise.

Potential structures that are more suitable to impact investment

EAII recognizes two potentially attractive alternatives for raising capital for impact investment: 1) open-ended funds, and 2) corporate structures. Open-ended funds are characterized as permanent capital vehicles with no fixed investment time horizon. The fund can continuously raise capital and there is no time limit to liquidate the fund. As such, an open-ended fund can maintain its investments for an indefinite time period, although most are time-bound, and provide returns to investors in the form of dividends and capital appreciation. Some open-ended funds are defined as "evergreen funds," meaning that proceeds from investments are re-invested into the fund, rather than distributed to investors. Similarly, a corporate structure can continuously raise capital and has an open-ended exit horizon, which allows the fund manager additional flexibility to provide patient capital and achieve its impact objectives over the longer term.

Examples of social impact fund structures include:

- General/Limited partnerships
- Unit trusts
- Non-profit trusts
- Corporations
- Co-operatives

Some social impact funds have unique ownership structures, including:

- Non-profit organizations
- Registered charities

FIGURE 4: SELECT EXAMPLE OF CLOSE-END AND OPEN-END SOCIAL IMPACT FUNDS

	Closed-End Funds		**Open-End Funds / Evergreen Funds**	
Type	**Private equity**	**Private debt**	**Private equity/ private debt**	**Public equity**
Select fund examples	InvestEco Building companies that matter renewal Funds Investing for Change	NEW MARKET FUNDS VERGE	fiducie du Chantier de l'économie sociale COMMUNITY FORWARD FUND	rally assets
Structure	General partner / limited partnership	• Non-profit trust • Unit trusts • General partner / limited partnership • Corporation	• Non-profit trust • Corporation (including Part 9)	Mutual fund trust
Fund securities	• LP units • Common Shares	• Trust units • LP units • Bonds	• Trust units • Common shares	Trust units
Minimum investment	$50,000–$250,000	$10,000–$200,000	n/a — initially capitalized from government, foundations and other stakeholders	$25,000
Investment horizon	5–10 years	5–15 years	5–15 years	5 years
Target returns (net of fees)	7%–15% IRR	3.5%–6% IRR	4%–10% IRR	5% IRR
Dividends	No	Yes	Yes	No
Security	Typically, unsecured	Typically, secured	Typically, secured	Typically, unsecured
Fees	2%–3% management fee & 20% carried interest	1.5%–3% management fee	Operating costs paid out of income	1.45%–2.25% management fee

FUND OPERATIONS

The operations of social impact funds vary depending on the fund's size, stage of development, and available resources. More mature funds have established best practices that should be considered by emerging funds and considered a prerequisite for many impact investors.

While formal reporting procedures are not necessarily required for all social impact funds (e.g., for unregulated funds), EAII recognizes that this is a key consideration for accessing non-institutional investors. In particular, wealth advisors require a specific level of disclosure to assess the suitability of the funds for their clients. This may not be practical for smaller emerging funds. However, more established funds can establish market practices and frameworks for later adoption as emerging funds continue to grow.

Interviews of fund managers indicate that emerging funds would benefit from collaboration services to reduce costs and resources required from ongoing reporting and fund operations...

Interviews of fund managers indicate that emerging funds would benefit from collaboration services to reduce costs and resources required from ongoing reporting and fund operations, such as compliance, fund accounting, and impact reporting.

An area of opportunity for social impact funds, regardless of their individual investment mandates, is to use consistent fund structures, operating frameworks, and consensus around terminology of specific structures. The wide variety of structures currently being used can lead to confusion in the market where non-institutional investors are seeking familiarity and an easy way to compare various fund alternatives.

More mature social impact funds should consider opportunities to share their best practices, experiences, and investment materials with emerging funds to ensure there is broader adoption and alignment across the ecosystem. With stronger collaboration over time, a few main structures will likely emerge that are broadly suitable for a variety of social impact funds. This will help to not only reduce structuring costs, but also ease the marketing of such structures as they become more familiar to non-institutional investors. Some practitioners have suggested that a common decision-tree framework would be useful to direct emerging funds to commonly used structures, depending on the sought activities and objectives of the fund. With greater

Select examples of fund operations:

- Quarterly financial reporting
- Quarterly valuation updates (NAV calculations)
- Quarterly impact reporting using key performance indicators related to impact investments
- Internal investment committee and investment approval process
- Structuring and executing investments
- Ongoing monitoring of investments
- Compliance procedures with oversight by a chief compliance officer

familiarity, it is easier to envision a community of social impact funds with similar characteristics that are better understood and accepted by non-institutional investors.

Use of common structures reduces the cost and time for due diligence by potential investors and advisors.

Use of common structures reduces the cost and time for due diligence by potential investors and advisors. They can, in effect, use a checklist approach to ensuring that the key elements of properly structured funds, governance, operations, and reporting are in place.

A further consideration for social impact funds is to collectively support and influence policies and regulatory initiatives for social impact investment.

A further consideration for social impact funds is to collectively support and influence policies and regulatory initiatives for social impact investment. For instance, the private equity and venture capital industry has successfully influenced regulations to provide favourable securities exemptions and incentives for private equity and venture capital business activities.[2] In some provinces, venture capital funds are eligible for tax incentives for investing in early stage enterprises and local growth opportunities. Social impact funds seeking the same incentives could seek to be considered as a venture fund — however, this may not properly reflect the impact objectives of the fund. New policies that are more specific to incentivizing funds to deliver social and environmental outcomes could act as a stimulus for enhancing social impact investment, particularly for funds that are dedicated to high-impact outcomes and financial returns that may not fully reflect the actual investment risks.

UTILIZING TECHNOLOGY TO ENHANCE ACCESS CAPITAL

Current marketplace

EAII reviewed a number of Canadian technology providers to better understand whether technology can play a better role in addressing barriers to impact investment. EAII categorized these technologies as a "discovery portal" or "transacting platform," depending on their activities.

Portals

A **discovery portal** or portal is an online information source that helps investors better understand the attributes of a variety of investment products. A portal can direct investors to various transaction channels, of which a **transacting platform** is one. Research conducted with different investor segments clearly indicates that the availability and currency of information on a portal for impact investing is of significant value and is likely to attract more investment into the sector.

Generally, portals are not subject to regulatory oversight, as they are not tools that promote the sale of specific securities, and information is usually limited to general data on listed funds and fund managers. Portals require on-going administration and support (e.g., technical and content editing). As portals are largely used

2 For more details see Chapter 5 — "Legal Considerations for Social Impact Funds"

for product discovery, there is limited or no revenue opportunity to be gained by providing these tools at present in the Canadian market. Linking an impact discovery portal to a transacting platform may be a way of supporting the portal and the effectiveness of this tool in increasing investor awareness and interest.

In Canada, there are two main online portals dedicated to sustainable investment products and social impact funds: OpenImpact and the RI Marketplace. These portals function as directories where a user can search for funds using specified filters, such as asset class, geography, responsible/impact investing categories, and investor eligibility. However these directories are not well known[3] or widely used by the general investment community, nor do they provide sufficient detailed information on the listed investment products for investors or their wealth advisors to make informed investment decisions. The portals also lack any significant classification or differentiation between funds (e.g. degree of social impact, impact reporting measures and frameworks, etc.). Curation of portal data is a significant undertaking, and where the technology does not have a direct revenue stream, costly to sponsors.

Despite the challenges, a centralized discovery portal could be an effective first step in better serving the needs of non-institutional investors...

Despite the challenges, a centralized discovery portal could be an effective first step in better serving the needs of non-institutional investors for:

- **educational opportunities**;
- networking with a **community of impact investors**; and
- finding and learning about the investment **product attributes** of a variety of social impact investment opportunities.

With better resources and education available about suitable impact investment opportunities, there are stronger opportunities to engage with an online transacting platform to execute on investment decisions.

3 See Chapter 3.2 "Mass Wealth — Through Wealth Advisors"

FIGURE 5: POTENTIAL OF TECHNOLOGY PORTAL SOLUTION IN ADDRESSING INVESTMENT BARRIERS

The discovery portal could also help reduce many perceived barriers for investors before they are faced with making a transactional decision, including:

Investment barrier	Technology portal solution
Investors are not adequately educated or aware of impact investing	Accessible online location to find information and resources
Difficulty to find / access social impact funds	Central location to search for funds that best match investors return, risk and impact objectives
Uncertainty of reputation of funds and their stated impact	Listed funds can be impact verified by credible experts
Perceived concessionary returns	Social impact funds are not all the same and will be able to more clearly articulate their returns targets relative to the risk profile of their investments
Desire for impact investments to fit within an existing investment portfolio	Technology allows for a full portfolio view

Transacting platform

A transacting platform is a location where transactions can be executed. These platforms typically are governed by securities regulations and specific standards to assess the investor seeking to invest and the suitability of products listed on the platform to execute a transaction. Currently, transacting platforms use technology to drive transactions, and limit manual operations and investor handholding through the investment process.

Financial technology continues to evolve, and there are two predominant technology platforms focused on online investment solutions: 1) robo-advisors, and 2) crowdfunding. Robo-advisors, such as Wealthsimple, help investors build balanced portfolios largely consisting of publicly traded exchange traded funds (ETFs) and mutual funds using algorithms instead of human advisors at much lower costs. As the majority of social impact funds are private funds (non-traded securities) and currently not a focus area for robo-advisors, EAII did not consider these platforms as viable opportunities for social impact funds to attract non-institutional capital at the present time.

Investment in private funds requires either that investors are accredited (or permitted), or that they have advisors enabled to guide their investments. As noted above, there is a lack of awareness among advisors about social impact investment, and therefore it is possible that transacting platforms that include the tools, data, and processes that enable advisor engagement will be useful in growing impact investment.

Crowdfunding is the raising of funds through the collection of investments from the public (the crowd) using online services. Equity crowdfunding is the offering of unregistered securities through a registered transacting platform to raise capital from a large pool of non-accredited and/or accredited investors.[4] The transacting platform is a dedicated website and intermediary that facilitates transactions between issuers (e.g. social impact funds) and asset owners. In Canada, SVX is the only dedicated impact crowdfunding platform, while there are a number of general crowdfunding platforms, such as FrontFundr, InvestX, AngelList, and GoTroo. CoPower developed its own platform to specifically sell its green bond offerings, and has raised over $30 million to date from institutional, accredited, and everyday retail investors.

FIGURE 6: CANADIAN CROWDFUNDING PLATFORMS INTERVIEWED

EAII conducted primary interviews with a select group of Canadian crowdfunding platform operators to better understand how they are being utilized or could better serve social impact funds in raising non-institutional capital, including:

SVX Invest for impact · Investir pour l'impact	• Impact investing crowdfunding platform for ventures funds and investors • Single access point for raising capital and making investments • Licenced exempt market dealer
COPOWER	• Canada's first clean energy platform selling CoPower green bonds • Available to accredited and non-accredited investors • Licenced exempt market dealer
FrontFundr	• Canada's leading crowdfunding platform for early stage venture investing • Predominantly focused on connected investors to private companies • Licenced exempt market dealer
DEALSQUARE	• Platform-as-a-service for **registered** individuals (e.g., wealth advisors) and **registered** dealers (e.g., IIROC, EMD) to post, review, and purchase exempt market offerings • Partner with NEO Connect to electronically settle private offerings into client brokerage accounts (On-book)

4 "Equity Crowdfunding - General Questions," National Crowdfunding & Fintech Association of Canada, December 29, 2017, https://ncfacanada.org/equity-crowdfunding-general-questions/.

FIGURE 7: ANALYSIS OF HOW TECHNOLOGY CAN REDUCE INVESTMENT BARRIERS.

EAII's review of technology platforms identified a number of positive characteristics where technology is playing a role in reducing barriers to access non-institutional investor capital, including:

Positive platform characteristics	**Comparison of Platforms**[1]		
	SVX	FrontFundr	DEALSQUARE
Investors can search and filter for opportunities that are most aligned with their return, risk, and impact objectives	Yes	Partial, does not specify impact	Partial, does not specify impact
Investment offerings are easy to understand and not available through traditional channels (e.g., existing wealth advisors)	Yes	Yes	No, only wealth advisors can purchase
Each investment opportunity provides detailed information about the issuer in a single accessible area	Yes	Yes	Yes
Marketing documents are clear about risks, return, and impact	Yes, issuer must provide	Yes, issuer must provide	Yes, issuer must provide
Accessible to all investors	Primary focus on Accredited Investors	Yes	No, only wealth advisors
No fees charged to platform users and only to the capital issuers	• No charge to investors • Issuers: $2.5k–$7.5k+ onboarding & 2%–5% commission	• No charge to investors • Issuers: $3.5k–$20k onboarding & 6%–8% commission & 6%–8% warrants	• Wealth advisors pay a variable fee to access the platform • Issuers: $1,500 onboarding & annual fee based on a sliding scale % of $AUM
Online investment process is fully automated and easy to understand	Partial, some manual requirements	Yes	Yes
Offerings have low/accessible minimum investment thresholds	Set by issuer	Set by issuer	Set by issuer

1 Note: CoPower excluded, as its platform only offers CoPower green bonds

While SVX is arguably the go-to location for impact investment opportunities in Canada, the platform has yet to deliver overwhelmingly positive results of raising social impact capital. The results to date may be related to specific challenges of the platform, but also include more general barriers confronted by all Canadian crowdfunding platforms, including:

Complex regulatory environment

- Strict and limiting rules that can differ from province to province
- Challenge for funds to become eligible for the platform

Mandatory regulatory requirements for onboarding investors (Know Your Client) and onboarding social impact funds (Know Your Product)

- Deters investors from using the platform if deemed too complex
- Challenging to fully automate, as regulators require specific standards to be met

Platform listing does not remove the requirement for funds to raise capital under certain securities exemptions and are not necessarily available to all investors

- Limited amounts of capital can be raised under crowdfunding exemptions
- Accessing capital from the general public (e.g. non-accredited investors) requires an offering memorandum, which has very high costs for emerging funds

Notable investor specific barriers:

- Platforms predominately attract self-driven individuals who are comfortable making their own investment decisions
  Represents a small subset of the total investor pool
- Investors often use a platform for a one-off specific investment, resulting in a limited depth of active, repeat investors
- Platform does not provide sufficient marketing support to attract new investors
  Funds are still required to make investor connections either through the platform or outside, which is labour intensive and requires a deep network of personal relationships
- Wealth advisors are not motivated or incentivized to use a platform
- Lack of capital raising = lack of quality deal flow
  Many quality issuers do not see the benefits of using a platform versus the costs and resources required to list and market an offering

A number of the barriers listed here were also identified in the interviews with high-net-worth investors and advisors.

Portals and transacting platforms: facilitation versus generation

It is apparent from the research conducted that existing discovery portals and transacting platforms are playing more of a facilitation role than generating meaningful amounts of social investment. This is particularly true for high-net-worth investors, who, in the absence of wealth advisors with sufficient knowledge about social impact funds, predominantly use discovery portals and transacting platforms to gather information to support their own direct investments in social impact opportunities. In addition, transacting platforms do not provide sufficient incentives, nor meet the complex regulatory needs of wealth advisors for them to place investments on the platform. This limits those investors using advisors from making impact investments, regardless of their motivations to do so.

Considering these behaviours, a first step in better serving the social finance marketplace would be to create a stronger central location for investors to learn about impact investing, available investment options, and to connect with others who have similar impact investment goals. By strengthening the market's awareness and knowledge about impact investments, it is expected that investors will be more willing to use a platform to execute their transactions. A growing marketplace will also give comfort to social impact funds that a platform listing is a cost-effective opportunity to attract investment. With more quality offerings and success stories, technology has an opportunity to expand its role from a facilitator to a generator of social investment.

EAII RECOMMENDATION: DEVELOP A ROBUST PORTAL THAT IS SEAMLESSLY LINKED TO A TRANSACTING PLATFORM

Discovery portal for social impact funds

- Investor education
- Marketplace awareness
- Profiling of vetted social impact funds
- Investor matching to funds
- Networking

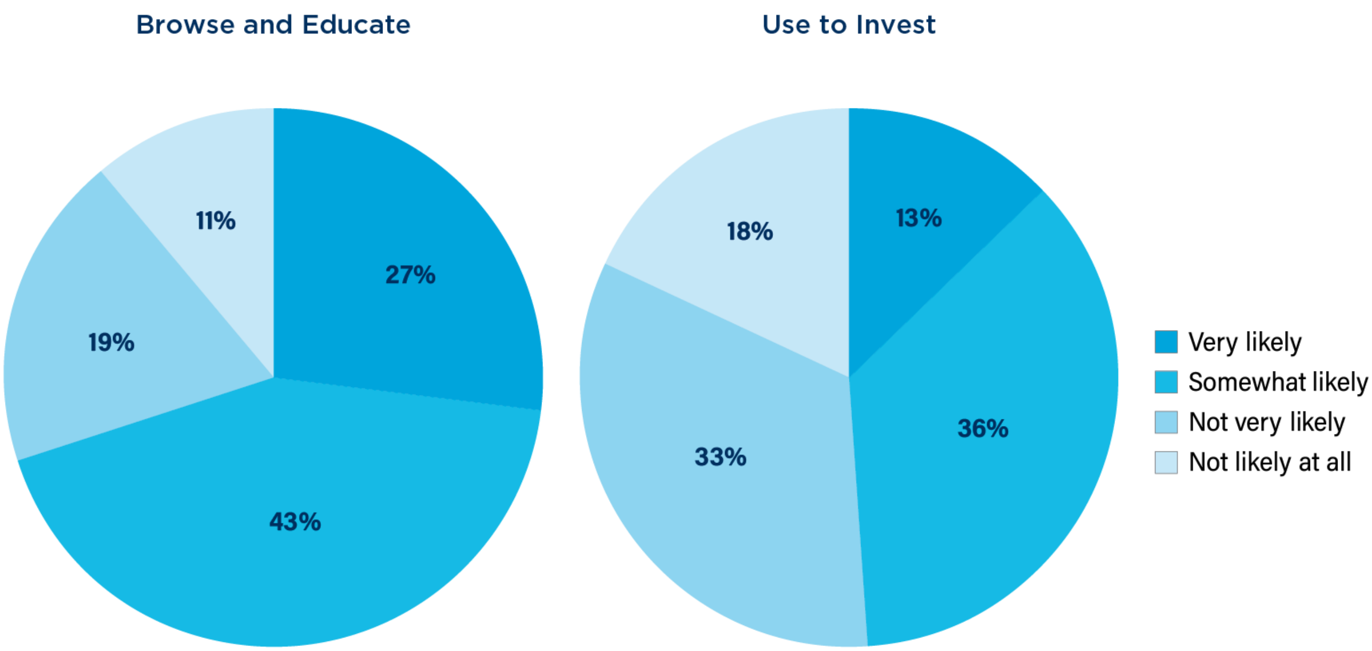
↓

Transacting platform to increase the flow of capital to social impact funds

- One-stop shop for financing and executing fund investments
- Customized portfolios
- Online subscription process
- Accessible to self-directed investors and wealth advisors
- Compliance driven

The Everyday Retail Investor Research Survey highlighted that over 70% of the respondents said they would be likely to use an online discovery portal to browse and educate themselves about impact investment products, and nearly half of this sub-group said they would likely use a transacting platform to make investments. However, there is consistent feedback that even the self-driven, impact-interested investors do not know where to find or learn about social impact funds.

FIGURE 8: PERCENTAGE OF EVERYDAY RETAIL INVESTORS INTERESTED IN USING A DISCOVERY PORTAL TO EDUCATE THEMSELVES AND/OR INVEST[5]



PORTAL AND TRANSACTING PLATFORM AREAS OF OPPORTUNITY

Based on the research, a central portal should have the following characteristics to meet the needs of a variety of investors and their wealth advisors:

- The ability to search and filter for investments by asset type, geography, target returns, risk rating, investment time horizon, and contributions to particular impact areas and SDGs
- Third-party impact verification of listed funds to enhance credibility and standardized impact ratings for comparability (e.g., gold, silver, and bronze star)
- Detailed and downloadable fund fact sheets with pertinent fund information, track record, benchmarking, investor eligibility criteria, minimum investment size, risk characteristics, impact management/monitoring approach, and fund manager contact details
- Networking and promotion opportunities to build connections between social impact funds and investors with common impact and economic return objectives

Should an investor desire to purchase a particular fund, there should be a seamless link to a compliance-approved platform to facilitate these transactions.

5 Source: research conducted in course of Expanding Access to Impact Investment, Everyday Retail Investor Research Report

A platform should have the following characteristics:

- Have a simple, secure, and fully automated onboarding process for investors to input their compliance required information
- Provide recommended matching to suitable social impact funds based on the individual's profile;
- Engage in marketing and sales activities to promote fund offerings
  It is noteworthy that CoPower's relatively strong success in selling their green bonds is due to having highly active and effective digital marketing campaigns to attract new investors, an easy-to-understand investment product, and a seamless process for investors to make an investment
- Offer compliance-approved multi-asset vehicles (e.g. fund of funds) that can hold a mix of public and private investments. By doing so, investors would be able to create customized portfolios of investments that best match their liquidity, return, risk, and impact goals. For instance, a total portfolio may include publicly traded ESG funds, green bonds, community bonds, impact GICs, and private social impact funds to provide a balance of liquid impact investments relative to the allocation in private social impact funds. An example of this in practice is the Rally Assets Total Impact Fund that allocates funds to both public and private impact investments[6]
- An ability for wealth advisors to access the platform and execute transactions using existing financial services infrastructure (see "Accessing Wealth Advisor Firms").

ACCESSING WEALTH ADVISOR FIRMS

The key for better accessing wealth advisors is to have an ability to work within their existing systems, until regulatory systems can improve or change, which will take time. Wealth advisors work within highly regulated, compliance-driven institutions that have strict requirements for onboarding funds and making them available for purchase in their client portfolios. These regulations are broadly described as Know Your Client (KYC) and suitability obligations, where wealth advisors must Know Your Product (KYP) to make suitable recommendations to clients (for more details see Chapter 5 — Legal Considerations and The Guide to Canadian Securities Regulations for Social Impact Funds).

The key for better accessing wealth advisors is to have an ability to work within their existing systems, until regulatory systems can improve or change

For social impact funds, this means that wealth advisors are required to know the fund's attributes (e.g., structure, return, leverage, costs, etc.) and associated risks (e.g., liquidity, volatility, default, counterparty, etc.) to determine whether the fund is suitable for their client portfolios — and advisors can only purchase or recommend funds that have been approved by their firms (known as "product shelf"). As described above, an effective discovery portal and transacting platform will

6 *Rally Total Impact Fund.* Accessed May 12, 2021. https://rallyassets.com/wp-content/uploads/2021/03/Fund-Fact-Sheet-RTIF.pdf.

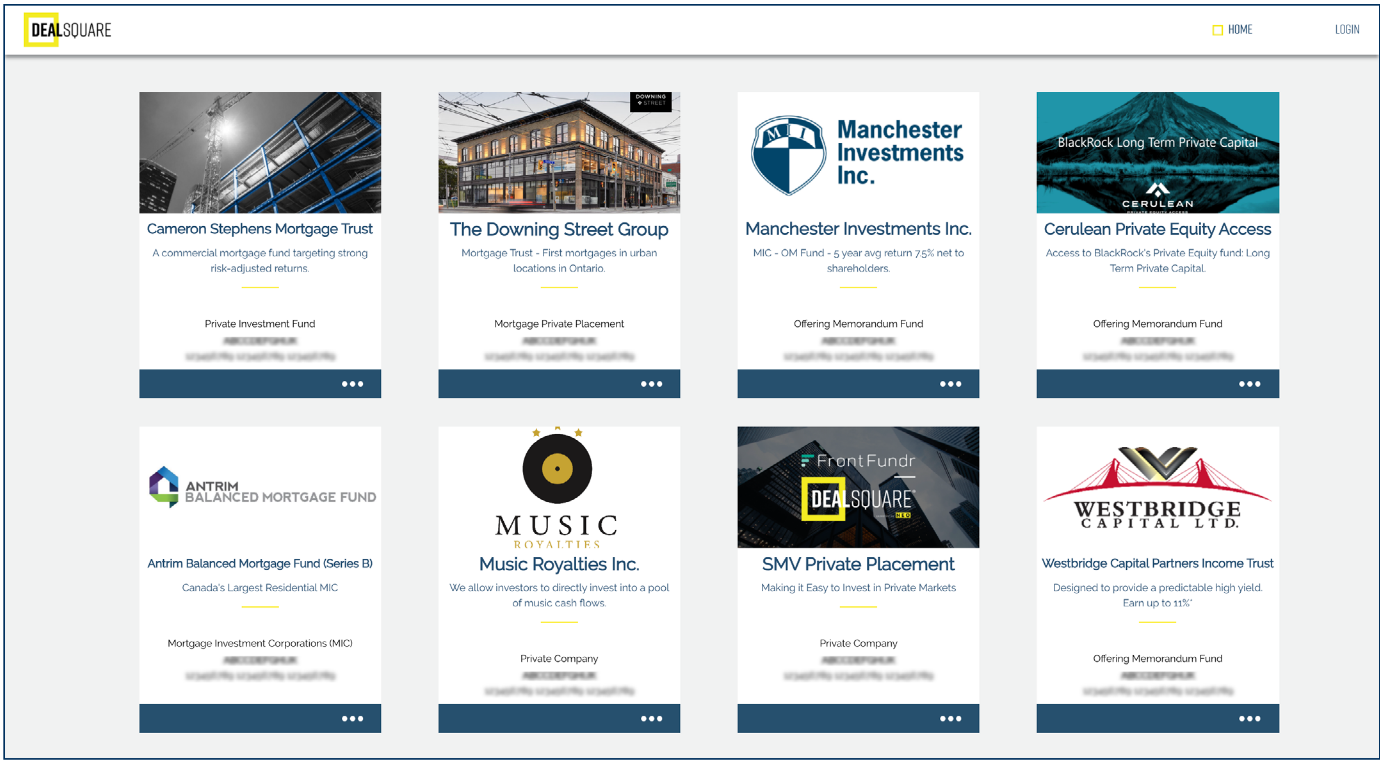
seek to make the fund's information easily accessible so an advisor can more easily determine the suitability of the investment.

A recent technology development seeking to address the needs of wealth advisors is DealSquare. The platform was launched in July 2019 by Silver Maple Ventures (the parent company of FrontFundr) in partnership with the NEO Exchange. DealSquare is Canada's first centralized dealer platform for private placements, digitally connecting capital-raisers to investment dealers, their advisory networks, and their investors. The platform-as-a-service was created for registered individuals (e.g. wealth advisors) and registered dealers (e.g. IIROC and exempt market dealers, or EMDs) to post, review, and purchase exempt market (private) offerings. A capital-raiser must have a sponsoring dealer (e.g. FrontFundr EMD) to post their offerings and, following approval by a respective dealer firm (put on the product shelf), the dealer's wealth advisors can purchase and electronically settle exempt securities on-book using NEO technology.

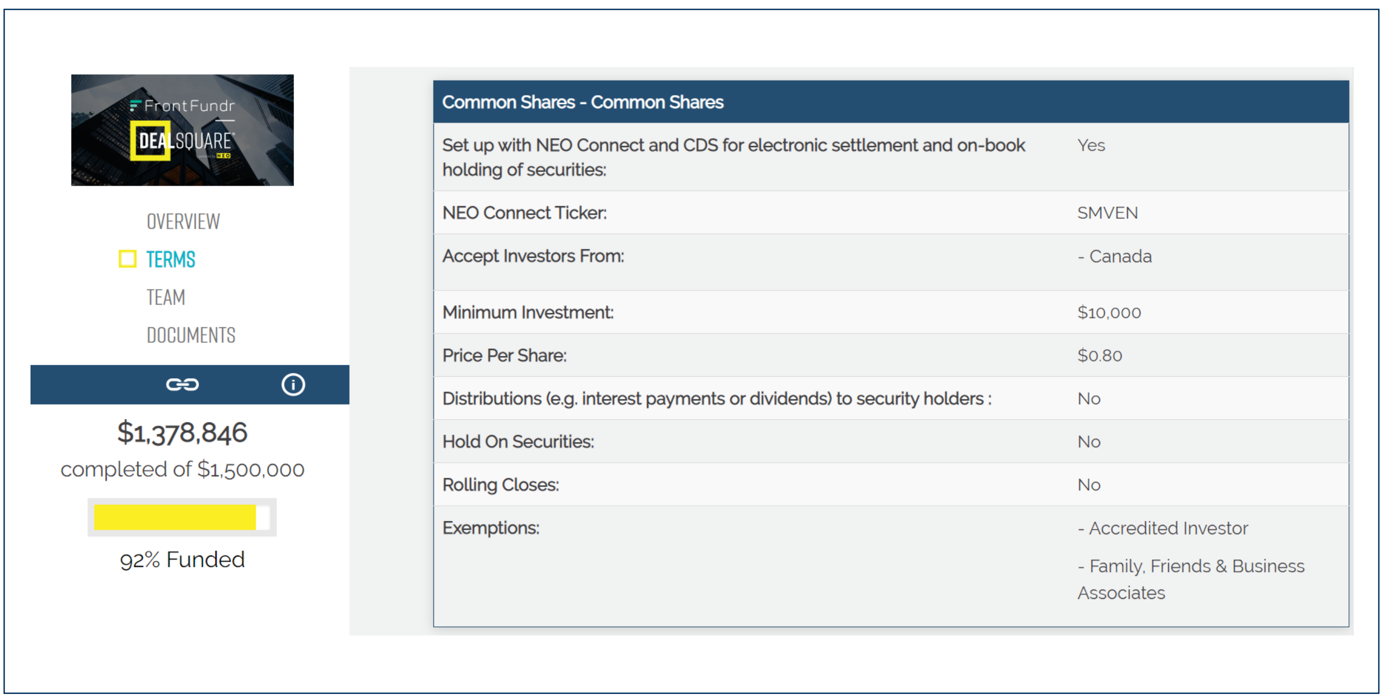
FIGURE 9: DEALSQUARE — PLATFORM-AS-A-SERVICE

Key functionalities

- Online deal listing, with filter and search features for advisors
- Easy-to-navigate deal pages
- Advisors can share deals with their investor clients
- Investment package download tailored to securities exemption used e.g., accredited investor, offering memorandum, etc
  Note: retail investors are eligible when using the offering memorandum exemption
- Online order entry, subscription, and signing
  Technology provides investor protection
- Online order book management and deal closing via electronic settlement through the Canadian Depository for Securities (CDS)
- Puts order on-book using existing dealer back-office infrastructure
  Note: Dealers must be integrated with CDS



Soure: https://www.dealsquare.io/



Soure: https://www.dealsquare.io/

DealSquare/NEO is a promising new technology to access wealth advisor platforms for social impact funds. In particular, the ability to settle the securities on-book is a benefit for many advisors who charge their clients a percentage fee of their total assets under management, thus providing an additional incentive for advisors to purchase social impact funds.[7] From a due diligence perspective, a listing on DealSquare provides wealth advisors with a level of KYP information that can be supplemented to satisfy their internal compliance requirements. This is often a major hurdle for accessing wealth management platforms, and has the potential to improve over time as the KYP information provided through the platform is recognized and accepted by numerous dealer firms.

However, it should be noted that a DealSquare listing does not remove the requirement for a social impact fund to be approved by dealer firms for their wealth advisors to purchase the fund. Dealer approval will vary from firm to firm, and may consider the following attributes of a fund:

- The fund meets the firm's minimum eligibility requirements e.g., assets under management (AUM), number of years track record, acceptable compliance, ongoing reporting procedures, etc. (Note: firms can often waive their criteria in certain circumstances)
- There is demonstrated demand for the product. This is key to having a wealth advisor "champion" with a lead order to promote the fund within the firm
- The fund is attractive in comparison to other products already on the product shelf. Product shelf space is limited, competitive, and more challenging to access with stricter compliance requirements
- The ability to easily purchase the fund's securities (e.g., many firms will only consider funds that are listed on Fundserv or another clearing agency such as NEO)
- The fund is registered with a provincial securities regulator (e.g., as a portfolio manager or investment fund manager). Unfortunately, fund registration is a prohibitive and costly process that may only be suitable for larger funds with the capacity to establish organizational processes and procedures to ensure compliance with securities legislation.

Once on the product shelf, funds need to have a coordinated sales and marketing effort to sell their offerings to wealth advisors who can purchase the fund. In some cases, the dealer firm will assist a fund manager with marketing, e.g., organize a national webinar with advisors, but it's often up to the fund manager to sell its offering. Lastly, any use of a platform comes at a cost not only for a listing (e.g. upfront listing fee), but also to electronically settle trades (e.g. commission or percentage of AUM), which also requires the appointment of additional financial service providers — such as a transfer agent and clearing/custodian agent — that may only be suitable for appropriately sized funds.

EAII's review of fund structures, fund operations, and technology portals and platforms revealed many positive attributes and challenges for social impact funds. While there does not appear to be a complete solution today for a diverse group of funds, a centralized social impact discovery portal and transacting platform could be a positive first step to equipping investors with the tools they need to find suitable impact investment opportunities. Utilizing a strict social impact vetting process for onboarding funds will also increase the credibility of the social impact fund community. EAII believes further exploration should be done on how best to use this single point of entry to then allow investors to execute on their investment decision using best-in-class technology that is fully compliant with Canadian securities regulations.

7 See Chapter 3.2 — "Mass Wealth — Through Wealth Advisors" and Chapter 3.3 — "High-net-worth Investors" for more on potential incentives to attract increased advisor interest in social impact funds.

CHAPTER 5

Legal Considerations for Social Impact Funds

BACKGROUND

Social impact funds engage in two primary business activities:

1. raising capital, and
2. making investments that require a deeper understanding of securities regulations.

Securities legislation is a complex, highly regulated system designed to protect the interests of the investing public, and foster fair and efficient capital markets. There is no national securities legislation in Canada, nor is there a national securities regulator. Instead, each province has its own securities laws and securities regulator. While most laws are harmonized across the country, there remain some significant differences, which makes it necessary to consider the applicable rules of each relevant jurisdiction.

Raising capital requires the managers and board of directors of social impact funds to carefully consider the impact of securities legislation and regulations. These have an impact on how, when, and from whom they can raise capital.

The Guide to Canadian Securities Regulations for Social Impact Funds (the "Guide") has been created for emerging impact investment funds, as well as existing funds seeking to grow or broaden their investor pool, in order to navigate the regulatory terrain. It should be considered as the title suggests — a guide. It is highly recommended that social impact funds work with trusted legal counsel early on to find the most appropriate channels to navigate through this complex system and avoid any costly mistakes.

Key points

Whether an emerging fund is in its early days of formation or a more mature fund is seeking alternatives to access greater pools of capital, the Guide provides an overview of two central requirements under Canadian securities laws:

1. **Prospectus requirement** — no person or company can trade in a security if the trade is a "distribution," unless, in the absence of an applicable exemption, a prospectus is filed in each province where the trade occurs and a receipt for the prospectus is issued
2. **Registration requirement** — firms must register if deemed to be "in the business" of trading or advising with respect to securities, or such firms act as an underwriter or investment fund manager

For raising capital, the Guide focuses on available prospectus exemptions, which are simpler, less expensive, and quicker to execute than a prospectus offering. However, the act of raising capital may trigger the registration requirement, unless the activities fall within specified registration exemptions, which are further described in the Guide.

While securities legislation is open to modification, any amendments will take both time and a coordinated approach. The private equity and venture capital industry has successfully influenced regulations to avoid certain registration requirements. As social impact funds find more common characteristics and structures for investment, there may be opportunities for social impact funds to collectively improve regulatory rules to enhance social impact investment. However, until such a point in time, social impact funds must live within the existing system in order to deliver on their investment and impact missions.

The Guide to Canadian Securities Regulations for Social Impact Funds can be found here.

CHAPTER 6

End Note

The Expanding Access to Impact Investment (EAII) initiative set out to better understand barriers and opportunities to increase the flow of capital from accredited and non-accredited investors. Large philanthropic and financial institutions will remain key targets for social impact funds and their managers. A mature investment sector is available to a wide range of investors, including individuals and the investment offices that work on their behalf. Over time, the goal is to increase the level of investment by individuals — be they everyday retail, mass wealth, or high-net-worth investors — in social impact offerings. Current levels of investment by high-net-worth investors are at or below 15% of the capital raised by social impact funds consulted during this research. Doubling this in five years should be the target for impact investment funds.

The barriers identified in this report to increasing the number of individual investors in social impact funds are not new. They exist for all individual investors, whether they are accredited or not, and whether they use advisors or other third parties in their investment decisions. These barriers were raised anecdotally by social impact fund managers, and have also been discussed in conferences such as the Social Finance Forum and in webinars. The research conducted in the course of this work confirmed that these are real, and must be surmounted if there is to be increased flow of individual capital into social impact funds.

There are some successes in penetrating this market. CoPower, now owned by the Vancity Community Investment Bank (VCIB), built an individual investor base for its green bonds and developed technology to facilitate investor attraction. Community bonds have been issued by the Centre for Social Innovation to support its real estate acquisition, as well as by other community organizations. Tapestry Community Capital has established a practice to assist community groups in raising these types of bonds, largely from individual investors. Bond debt and mortgage-backed securities are accessible, and may pave the way to increased success for other social impact fund products.

Barriers to individual investment in social impact are significant, and include a lack of understanding of what the opportunities are, the nature of the investments, the actual risk, and the type of product (type of security and liquidity). The report points to some key solutions that will assist in increasing investor attraction to social impact opportunities. Foremost among these is the development of one or more robust information portals that provide information about the depth, variety, and nature of the investment offerings in the social impact sector.

Data and information are critical to broadening investor interest — whether this interest is through investment advisors who become aware of the opportunities, or individual investors seeking to diversify their portfolios and achieve social impact outcomes. More information about what choices investors are making — and where they are willing but unable to invest — will assist in the ongoing effort to reduce barriers to investment. The everyday retail investor research survey was designed to be repeatable, in order to assess whether there is positive change over time. It is hoped that future efforts will be made to spur this continuous learning about investor intentions regarding social impact.

A portal or other trusted source of information will assist in reducing some of the confusion about how social impact funds are different from other impact investments. Importantly, such an information source would also help people understand how social impact funds differ from mainstream funds currently being marketed as impact investments without providing measurements and accountability for achievement of social impact goals. OpenImpact is an excellent base from which to build a more robust, common-use portal, and this is an initiative that the Table for Impact Investment Practitioners may want to take on.

The EAII investigation and ongoing work includes the assessment of a technology solution that could assist smaller social impact funds access investment advisors and investors, and in turn these parties access the funds. At present and in the foreseeable future, social impact investment will remain on the margins for investment advisors, even for those who have a professed interest in the area. Building an understanding of the product being offered — and conducting due diligence on products available and their suitability for investors — is complex and expensive, relative to the level of investments being made. Using technology to bridge these requirements and create a path for capital may be a critical step in the growth of individual investment in social impact funds and related opportunities.

Increased access to information on investment opportunities is important. Of equal importance is the rigour and due diligence of impact investment funds in presenting this information in ways that are more familiar to the investment industry. For many advisors and investors, the language of social impact investment, the range of fund and investment structures, and the varied methodologies for demonstrating social impact returns are confusing, and are deterrents for some investors. This may also contribute to the perceptions of social impact investments as being higher risk. Social impact funds — both currently existing and those still in development — may want to consider this in the development of their product and in the approach to investor attraction, if they wish to move significantly beyond the "friends and family" investors that typically seed new endeavours.

There are barriers identified by investors and advisors that will not easily be overcome. Social impact funds seek to create social return — that is their goal. And for some funds, achieving a risk-adjusted financial return is not possible. In some instances, the nature of the sought-for impact and the economics of the underlying businesses create a requirement of concessionary capital. For investors who want social return and financial results, the social impact investment space will become more limited. For those that can assign a value to the social impact being achieved, the ecosystem is broader and varied. Instruments such as the federal Social Finance Fund may assist in providing a mechanism to mitigate some of the financial impacts, and provide a level of de-risking for investors less familiar with the social impact space.

For many social impact funds and investment opportunities, liquidity will remain a concern for some investors. Many fund products are private placements of equity or debt, and the returns to investors are achieved over time — returns being generated at the point of investment exit, rather than as yield on cash flows from operations. Over time this will change, as new and more diverse impact products are developed. Currently, there are few social impact funds that provide yield, and this will remain an investor deterrent.

A key message from the EAII research is that there is a growing interest in social impact investment. This is ascribed to generational change — younger, value-centred investors are now seeking products that meet their expectations. It may also be a product of a broader recognition by current investors that social impact is a measurable and important outcome for all investments. This is the case for investments related to energy and the environment, where climate change metrics are now mainstream factors that govern the flow of capital. Eventually, this may also be the case for social outcomes. Social impact fund managers will be the beneficiaries of this growing interest.

Glossary

“Off-book”

Investment product has been purchased directly with the issuer (either through a wealth advisor or directly by client). Wealth advisor managment and reporting is manual.

“On-book”

Investment product has been purchased by a wealth advisor on behalf of a client through their investment dealers “product shelf;” usually includes integration with reporting and asset allocation systems.

“Product Shelf”

The range of investment products that a particular investment dealer has officially vetted and approved to be available for their advisors and representatives to sell to their clients.

Accredited Investor

“A class of investors determined under securities regulations to have sufficient knowledge and level of sophistication to merit reduced restrictions on their investment activities.

In Canada, the details of the official definition of an accredited investor and who qualifies as one can be found in section 1.1 of the National Instrument 45-106. There are over 20 situations in which a person or entity is considered an accredited investor, but the most commonly used cases include:

- An individual, alone or with a spouse, who has net assets of more than $5 million
- An indvidual, alone or with a spouse, who has financial assets of more than $1 million
- An individual who has a before tax income of over $200,000 for at least two years in a row ($300,000 if combining income with a spouse) and expects to exceed that income the current calendar year
- A person registered in Canada, under securities legislation, as a dealer or an adviser
- Many types of investment funds distributing funds to, or advised by, accredited investors”

Source: Karim Harji et al., “Retail Impact Investing - A Guidebook for Canadian Credit Unions” (Rally Assets & Canadian Credit Union Association, September 2019), https://rallyassets.com/wp-content/uploads/2019/09/RII_Guidebook_Full-Credit-Unions.pdf.

Asset Owners

The terms “asset owners,” “end-investors,” and “clients” are often used interchangeably. Asset owners include pension plans, insurance companies, official institutions, banks, foundations, endowments, family offices, and individual investors located all around the world.

“Who Own the Assets?” (BlackRock, May 2014), https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-who-owns-the-assets-may-2014.pdf.

Assets Under Management (AUM)

Assets under management (AUM) refers to the total market value of the investments that a person or entity manages on behalf of clients.

James Chen, "Assets Under Management," Investopedia (Investopedia, October 6, 2020), https://www.investopedia.com/terms/a/aum.asp

Closed-End Funds

Closed-end funds characterized by a specified fund lifetime and fixed amount of units/shares offered.

Discovery Portal or Portal

A discovery portal or portal is an online information source that helps investors better understand the attributes of a variety of investment products. A portal can direct investors to various transaction channels, of which a transacting platform is one.

Early Adopter Wealth Advisor Allies or Advisor Allies

Values-aligned wealth advisors who are actively working to incorporate impact investments (including social impact funds) into their practices, despite multiple barriers.

Equity Crowdfunding

Crowdfunding is the raising of funds through the collection of investments from the public (the crowd) using online services. Equity crowdfunding is the offering of unregistered securities through a registered transacting platform to raise capital from a large pool of non-accredited and/or accredited investors.

"Equity Crowdfunding - General Questions," National Crowdfunding & Fintech Association of Canada (NCFA), December 29, 2017, https://ncfacanada.org/equity-crowdfunding-general-questions/.

ESG (Environment, Social, Governance)

Refers to the incorporation of environmental, social and governance factors (ESG) into the selection and management of investments.

"Responsible Investment," Responsible Investment Association (RIA), accessed May 14, 2021, https://www.riacanada.ca/responsible-investment/.

Evergreen Fund

Evergreen funds are open-ended fund structures with no termination date. They permit investors liquidity rights to exit their investment and for the fund manager to raise more capital. They are permitted to recycle capital from realized returns, hence the term "evergreen."

Alex Graham, "Exploring Evergreen Funds with a VC Investor Who Raised One," Toptal Finance Blog (Toptal, May 3, 2018), https://www.toptal.com/finance/venture-capital-consultants/evergreen-funds#:~:text=Evergreens%20are%20open%2Dended%20fund,hence%20the%20term%20%22evergreen.%22.

Everyday Retail Investor Supporter Profile, or Supporters

A behavioural profile of Canadian investors identified through our Everyday Investor research as already investing (or likely to consider investing) in responsible, sustainable, and/or social impact funds.

Everyday Retail Investors

A retail investor, also known as an individual investor, is a non-professional investor who buys and sells securities or funds that contain a basket of securities such as mutual funds and exchange traded funds (ETFs).

Adam Hayes, "Retail Investor," Investopedia (Investopedia, May 7, 2021), https://www.investopedia.com/terms/r/retailinvestor.asp#:~:text=A%20retail%20investor%2C%20also%20known,exchange%20traded%20funds%20(ETFs).

Exchange Traded Funds (ETFs)

Exchange traded funds (ETFs) can provide investors with a low-cost way to build a broadly diversified portfolio rather than buying individual securities. ETFs are traded on stock exchanges around the world, including TSX. This offers investors the flexibility to trade units whenever the exchange is open. Unit prices vary throughout the day, moving up or down depending on changes in the prices of the underlying securities, as well as supply and demand for the ETF units themselves.

"ETF Basics," What are ETFs? (Vanguard), accessed May 14, 2021, https://www.vanguardcanada.ca/individual/insights/etf-education-video-what-are-etfs.htm#:~:text=It's%20often%20said%20that%20ETFs,funds%2C%20but%20trade%20like%20stocks.&text=However%2C%20there%20are%20key%20differences,whenever%20the%20exchange%20is%20open.

Exempt Market Dealer (EMD)

Exempt market dealers (EMDs) are fully registered securities dealers who engage in the business of trading in prospectus exempt securities, or any securities to qualified exempt market clients. EMDs may focus on certain market sectors (e.g. oil and gas, real estate, minerals, technology, etc.) or may have a broad cross sector business model. Clients of EMDs include companies, institutional investors, accredited investors (sophisticated or high-net-worth individuals who are eligible to trade securities in the exempt market), or eligible investors who are qualified to purchase exempt securities pursuant to an offering memorandum.

"What Is the Exempt Securities Market?" (Private Markets Association of Canada), accessed May 13, 2021, https://www.pcmacanada.com/page/ESM.

Family Offices

Family offices are full-service private wealth management services that serve just one or a small number of "very-" or "ultra-" high-net-worth families. Besides financial services, family offices also provide planning, charitable giving advice, concierge, and other comprehensive services. Single-family offices serve one individual and their family, while multi-family offices serve a few families benefiting from economies of scale.

Adam Hayes, "Family Offices," Investopedia (Investopedia, April 19, 2020), https://www.investopedia.com/terms/f/family-offices.asp.

Financial Assets

1. Cash,
2. Securities, or
3. A contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation."

"Glossary" (SVX), accessed May 13, 2021, https://s3-us-west-2.amazonaws.com/katipult-equity/live/client/svx-ca/Glossary+for+EMD+Platform+-+Formatted.pdf.

First-Loss Capital

First-loss capital refers to socially and environmentally driven credit enhancement, provided by an investor or grant-maker who agrees to bear first losses in an investment in order to catalyze the participation of co-investors that otherwise would not have entered the deal.

"Catalytic First Loss Capital," Council on Foundations, September 9, 2020, https://www.cof.org/content/catalytic-first-loss-capital#:~:text=Catalytic%20first%2Dloss%20capital%20refers,not%20have%20entered%20the%20deal.

High-Net-Worth Investors (HNWI)

High-net-worth investors (HNWI) represent investors with a range of investable assets (i.e., mostly liquid, excluding personal real estate). The marketplace generally breaks down information and reporting on this investor segment into the following categories:

- High-net-worth (HNW) with investable assets ranging from $1 million to $5 million
- Very-high-net-worth (VHNW) with investable assets ranging from $5 million to $30 million
- Ultra-high-net-worth (UHNW) with investable assets over $30 million
- Multi-family offices, who advise and invest for VHNW and UHNW with investable assets ranging between $10 billion to $15 billion
- Single-family offices, an investment team for one family that generally has over $200 million in investable assets.

High-Net-Worth Investor Champions

Early adopter (very/ultra) high-net-worth investors who are actively investing, or trying to invest in private social impact funds and also influence wealth advisors and peers to learn more.

High-Net-Worth Investor Prospects

Early adopter (very/ultra) high-net-worth investors who have invested in, or would consider, social impact funds specifically from a positioning of either investment returns, or philanthropic returns (impact) — but aren't necessarily seeking it out.

Impact First Investing

Investments where social and environmental considerations take precedence over financial returns.

Impact Investing

Impact investments, also often referred to as social finance investments, are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investment embodies three key characteristics:

1. Investor intention: Investors seek to allocate capital (debt, equity, or hybrid forms) to investments from which they expect to receive a financial return (ranging from return of principal to market rate returns) and a defined societal impact.
2. Investee intention: Business models for investees (whether they are for-profit or non-profit enterprises, funds or other financial vehicles) are intentionally constructed to seek financial and social value.
3. Impact measurement: Investors and investees are able to demonstrate how these stated intentions translate into measurable social impact.

Karim Harji et al., "Retail Impact Investing - A Guidebook for Canadian Credit Unions" (Rally Assets & Canadian Credit Union Association, September 2019), https://rallyassets.com/wp-content/uploads/2019/09/RII_Guidebook_Full-Credit-Unions.pdf.

Institutional Investor

Professional asset management firms that invest financial assets on behalf of other individuals or organizations for a fee.

Karim Harji et al., "Retail Impact Investing - A Guidebook for Canadian Credit Unions" (Rally Assets & Canadian Credit Union Association, September 2019), https://rallyassets.com/wp-content/uploads/2019/09/RII_Guidebook_Full-Credit-Unions.pdf.

Investable 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.

Adam Spence, Marie Ang, and Sunny Han, "Market Momentum: Impact Investing & High Net Worth Canadians," ed. Anisha Jain and Beth Zabloski (MaRS, September 2018), https://impactinvesting.marsdd.com/wp-content/uploads/2018/07/HNWI-Report-Final-Copy-For-Release.pdf.

Investment Dealer

An investment dealer is an individual or a firm that can sell a wide range of investment products. This includes shares, bonds, mutual funds, exchange-traded funds and other investment funds, and exempt products.

While the products an investment dealer can offer cover a wide spectrum, the services they offer their clients can vary from dealer to dealer. For example, one dealer may offer advice and a full range of services such as market analysis, investment research, and portfolio management. Other investment dealers may simply act as a broker and buy or sell investment products as instructed by their clients.

Investment dealers must be a member of the Investment Industry Regulatory Organization of Canada (IIROC). IIROC is the self-regulatory organization that oversees all investment dealers in Canada, and sets rules and regulations including those that determine what products and customers an investment dealer can deal with.

"Question of the Week: What Is an Investment Dealer?," Nova Scotia Securities Commission, December 13, 2017, https://nssc.novascotia.ca/before-you-invest/question-week-what-investment-dealer#:~:text=An%20investment%20dealer%20is%20an,investment%20funds%2C%20and%20exempt%20products.

Investment Fund

An investment fund is an entity that pools capital to provide investors with investment management services. Investment funds are designed to meet various investor expectations, such as:

- Income maximization (e.g., funds that pay dividends)
- Capital appreciation (e.g., growth funds)
- A balance structured for a combination of growth and yield
- A focus on targeted themes through specialty funds
- A focus on targeted geographic markets

Investment Readiness Program (IRP)

Funded by the Government of Canada, the Investment Readiness Program (IRP) supports social purpose organizations and social finance intermediaries as they contribute to solving pressing social, cultural and environmental challenges across Canada.

Employment and Social Development Canada Government of Canada, "Investment Readiness Program," Investment Readiness Program, 2019, https://irp-ppi.ca/en/.

Know Your Client (KYC)

The Know Your Client or Know Your Customer is a standard in the investment industry that ensures investment advisors know detailed information about their clients' risk tolerance, investment knowledge, and financial position. KYC protects both clients and investment advisors. Clients are protected by having their investment advisor know what investments best suit their personal situations. Investment advisors are protected by knowing what they can and cannot include in their client's portfolio. KYC compliance typically involves requirements and policies such as risk management, customer acceptance policies, and transaction monitoring.

James Chen, "Know Your Client (KYC)," Investopedia (Investopedia, April 17, 2021), https://www.investopedia.com/terms/k/knowyourclient.asp.

Know Your Product (KYP)

To make suitability determinations, investment advisors must understand that attributes and associated risks of products recommended to clients, and must take reasonable steps to make a suitability determination for their client investments

Market-Rate Returns

For most calculations, the expected market return rate is based on the historic return rate of an index such as the S&P 500, the Dow Jones Industrial Average (DJIA), or the Nasdaq. To determine the expected return, an investor calculates an average of the index's historical return percentages and uses that average as the expected return for the next investment period.

Claire Boyte-White, "Why Market Risk Premium Is Key to Expected Market Return," Investopedia (Investopedia, March 3, 2020), https://www.investopedia.com/ask/answers/062215/how-expected-market-return-determined-when-calculating-market-risk-premium.asp.

Mass Wealth Investor

Non-institutional investors with investable assets between $1 million and $5 million, accredited and non-accredited.

Mutual Funds

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Mutual funds are operated by professional money managers, who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

Adam Hayes, "Mutual Fund," Investopedia (Investopedia, October 3, 2020), https://www.investopedia.com/terms/m/mutualfund.asp.

Offering Memorandum

Also known as a private placement memorandum (PPM). A document typically used in a private placement offering of securities that provides investors with certain information about the issuer of the securities, its business, and the securities being offered. Both reporting issuers and non-reporting issuers disclose information about the securities being offered, including the risks in purchasing them and their transfer restrictions.

"Offering Memorandum (OM)," Practical Law, accessed May 14, 2021, https://ca.practicallaw.thomsonreuters.com/4-574-9524?transitionType=Default&contextData=%28sc.Default%29&firstPage=true.

Open-End Funds

Open-end funds are characterized as permanent capital vehicles with no fixed investment time horizon.

Permitted Investor

Permitted investors or permitted clients are similar to accreddited investors, but have a narrower definition and mostly refers to institutional investors. To learn more, Thomson Reuters Practical Law glossary provides a detailed definition.

"Permitted Client," Practical Law, accessed May 14, 2021, https://ca.practicallaw.thomsonreuters.com/0-606-9007?transitionType=Default&contextData=%28sc.Default%29.

Philanthropy

Philanthropy involves charitable giving to worthy causes on a large scale. Philanthropy must be more than just a charitable donation. It is an effort undertaken by an individual or organization based on an altruistic desire to improve human welfare. In relation to the impact investing spectrum, philanthropy means that financial returns are disregarded in favour of social and environmental solutions.

Adam Hayes, "What Is Philanthropy?," Investopedia (Investopedia, May 6, 2021), https://www.investopedia.com/terms/p/philanthropy.asp.

Private Equity

Private equity is capital that is not noted on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity.

James Chen, "Private Equity," Investopedia (Investopedia, April 30, 2020), https://www.investopedia.com/terms/p/privateequity.asp#:~:text=Private%20equity%20is%20an%20alternative,the%20delisting%20of%20public%20equity.

Responsible Investing

Responsible investment (RI) refers to the incorporation of environmental, social, and governance factors (ESG) into the selection and management of investments.

"2018 Canadian Impact Investment Trends Report" (Responsible Investment Association Canada, February 2019), https://www.riacanada.ca/content/uploads/2019/02/2018-Canadian-Impact-Investment-Trends-Report-1.pdf.

Risk-Adjusted Returns

A risk-adjusted return is a measure that puts returns into context based on the amount of risk involved in an investment. In short, the higher the risk, the higher return an investor should expect.

"Risk-Adjusted Returns Explained," Alpha Investing, December 12, 2019, https://www.alphai.com/articles/risk-adjusted-returns-explained/.

Social Enterprise

A social enterprise is an organization or program that is mission-driven, aiming to sell goods or services to earn a revenue, while also helping achieve positive social, cultural, or environmental objectives.

Employment and Social Development Canada Government of Canada, "Investment Readiness Program," Investment Readiness Program, 2019, https://irp-ppi.ca/en/.

Social Finance

Social finance, also often referred to as impact investing, is an investment that has a positive social, cultural, or environmental impact that also generates some return for investors. Through loans and investments, social finance can give new actors the opportunity to make a difference.

Employment and Social Development Canada Government of Canada, "Investment Readiness Program," Investment Readiness Program, 2019, https://irp-ppi.ca/en/.

Social Impact Funds

Social impact funds are similar to traditional investment funds, but at their core, expect to generate positive financial, social, and environmental returns for investors.

Sustainable Investing

Sustainability factors and financial returns drive investment selection.

Sonen Capital, "A New Kind of Impact Investment Spectrum: The Holistic Spectrum for Impact," Impact Investment Fund (Impact Investment Fund, September 1, 2017), https://www.impactinvestmentfund.com.au/newsroom/2017/12/3/a-new-kind-of-impact-investment-spectrum-the-holistic-spectrum-forimpact.

Thematic Impact Investing

Targeted themes and financial returns drive investment selection.

Sonen Capital, "A New Kind of Impact Investment Spectrum: The Holistic Spectrum for Impact," Impact Investment Fund (Impact Investment Fund, September 1, 2017), https://www.impactinvestmentfund.com.au/newsroom/2017/12/3/a-new-kind-of-impact-investment-spectrum-the-holistic-spectrum-forimpact.

Traditional Investing

Seeks financial returns regardless of environmental, social, or governance (ESG) factors.

Sonen Capital, "A New Kind of Impact Investment Spectrum: The Holistic Spectrum for Impact," Impact Investment Fund (Impact Investment Fund, September 1, 2017), https://www.impactinvestmentfund.com.au/newsroom/2017/12/3/a-new-kind-of-impact-investment-spectrum-the-holistic-spectrum-forimpact.

Transacting Platform

A transacting platform is a location where transactions can be executed. These platforms typically are governed by securities regulations and specific standards to assess the investor seeking to invest and the suitability of products listed on the platform to execute a transaction. Currently, transacting platforms use technology to drive transactions, and limit manual operations and investor handholding through the investment process.

Wealth Advisors

Professional advisors who offer financial and investment advice to clients, broadly distributed into four advice channels:

- Full-service brokerages
- Independent financial advisors
- Career or exclusive financial advisors
- Advisors that are working in-branch for a financial institution who advise investors with mass wealth.

"The Financial Advice Industry in Canada: An Economic Profile" (Advocis, September 2012), https://www.advocis.ca/pdf/Financial-Advice-Industry-Economic-Profile.pdf.

Bibliography

Boyte-White, Claire. “Why Market Risk Premium Is Key to Expected Market Return.” Investopedia. Investopedia, March 3, 2020. https://www.investopedia.com/ask/answers/062215/how-expected-market-return-determined-when-calculating-market-risk-premium.asp.

“Catalytic First Loss Capital.” Council on Foundations, September 9, 2020. https://www.cof.org/content/catalytic-first-loss-capital#:~:text=Catalytic%20first%2Dloss%20capital%20refers,not%20have%20entered%20the%20deal.

Chen, James. “Know Your Client (KYC).” Investopedia. Investopedia, April 17, 2021. https://www.investopedia.com/terms/k/knowyourclient.asp.

Chen, James. “Private Equity.” Investopedia. Investopedia, April 30, 2020. https://www.investopedia.com/terms/p/privateequity.asp#:~:text=Private%20equity%20is%20an%20alternative,the%20delisting%20of%20public%20equity.

Dane, Ned. “Study Reveals HNW Attitudes About Sustainable Investing.” LinkedIn, June 12, 2018. https://www.linkedin.com/pulse/study-reveals-hnw-attitudes-sustainable-investing-ned-dane-caia/.

Doyle, Sarah, and Tania Carnegie. Rep. *Mobilizing Private Capital for Public Good: Priorities for Canada.* MaRS Centre for Impact Investing, September 2014. https://www.marsdd.com/wp-content/uploads/2014/09/MaRS-National_Advisory_Board_Report_EN.pdf.

Employment and Social Development Canada. Rep. *Inclusive Innovation: New Ideas and New Partnerships for Stronger Communities*. Government of Canada, August 31, 2018. http://www12.esdc.gc.ca/sgpe-pmps/servlet/sgpp-pmps-pub?lang=eng&curjsp=p.5bd.2t.1.3ls@-eng.jsp&curactn=dwnld&pid=64138&did=5352.

“Equity Crowdfunding - General Questions.” National Crowdfunding & Fintech Association of Canada (NCFA), December 29, 2017. https://ncfacanada.org/equity-crowdfunding-general-questions/.

“Equity Crowdfunding - General Questions.” National Crowdfunding & Fintech Association of Canada, December 29, 2017. https://ncfacanada.org/equity-crowdfunding-general-questions/.

“ESG 101: What Is ESG?” MSCI. Accessed May 13, 2021. https://www.msci.com/our-solutions/esg-investing/what-is-esg.

“ETF Basics.” What are ETFs? Vanguard. Accessed May 14, 2021. https://www.vanguardcanada.ca/individual/insights/etf-education-video-what-are-etfs.htm#:~:text=It’s%20often%20said%20that%20ETFs,-funds%2C%20but%20trade%20like%20stocks.&text=However%2C%20there%20are%20key%20differences,whenever%20the%20exchange%20is%20open.

Ethex. Rep. *Understanding the Positive Investor.* Big Society Capital, 2017. https://cdn2.sharein.com/ethex/docs/97fd32dd-8f5b-4ead-a78a-f89bf60de19b.pdf.

"The Financial Advice Industry in Canada: An Economic Profile." Advocis, September 2012. https://www.advocis.ca/pdf/Financial-Advice-Industry-Economic-Profile.pdf.

Glencross, Jonathan, and Lars Bogglid. Rep. *The Impact Investing Guidebook for Foundations*. Rally Assets, Philanthropic Foundations of Canada, and Community Foundations of Candada, October 2017. https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/impact-investing-guidebook-foundations.pdf.

Goffaux, Marc. "Global Wealth Trends 2019: Asset Allocation for the Wealthy." MoneyTalks, 2019. https://mikesmoneytalks.ca/global-wealth-trends-2019-asset-allocation-for-the-wealthy/.

Gormaly, John, and Brent McKnight. Rep. *Retail Demand for Impact Investing*. Association of Fundraising Professionals Foundation for Philanthropy Canada, February 2018. https://afpglobal.org/sites/default/files/attachments/2018-10/Retail%20demand%20for%20impact%20investing%20-%20Final%281%29.pdf.

Government of Canada, Employment and Social Development Canada. Investment Readiness Program, 2019. https://irp-ppi.ca/en/.

Graham, Alex. "Exploring Evergreen Funds with a VC Investor Who Raised One." Toptal Finance Blog. Toptal, May 3, 2018. https://www.toptal.com/finance/venture-capital-consultants/evergreen-funds#:~:text=Evergreens%20are%20open%2Dended%20fund,hence%20the%20term%20%22evergreen.%22.

Harji, Karim, Heather Hachigian, Mathu Jeyaloganathan, Dominique Biron-Bordeleau, and Kate Martin. Rep. Retail Impact Investing - *A Guidebook for Canadian Credit Unions*. Rally Assets & Canadian Credit Union Association, September 2019. https://rallyassets.com/wp-content/uploads/2019/09/RII_Guidebook_Full-Credit-Unions.pdf.

Harji, Karim, Joanna Reynolds, Hilary Best, and Mathu Jeyaloganathan. Rep. *State of the Nation: Impact Investing in Canada*. MaRS Centre for Impact Investing, 2014. https://ccednet-rcdec.ca/sites/ccednet-rcdec.ca/files/impact-investing-canada-2014.pdf.

Hayes, Adam. "Family Offices." Investopedia. Investopedia, April 19, 2020. https://www.investopedia.com/terms/f/family-offices.asp.

Hayes, Adam. "Mutual Fund." Investopedia. Investopedia, October 3, 2020. https://www.investopedia.com/terms/m/mutualfund.asp.

Hayes, Adam. "Retail Investor." Investopedia. Investopedia, May 7, 2021. https://www.investopedia.com/terms/r/retailinvestor.asp#:~:text=A%20retail%20investor%2C%20also%20known,exchange%20traded%20funds%20(ETFs).

Hayes, Adam. "Rich Millennials Push to Put Family Wealth into Impact Investments." Financial Times, October 17, 2019. https://www.ft.com/content/972adac6-d928-11e9-9c26-419d783e10e8.

Hayes, Adam. “What Is Philanthropy?” Investopedia. Investopedia, May 6, 2021. https://www.investopedia.com/terms/p/philanthropy.asp.

“IRP Glossary.” Community Foundations of Canada, 2019. https://communityfoundations.ca/investment-readiness-program-glossary/.

King, Greg. “What Ultra High Net Worth Clients Want from Wealth Managers.” FactSet Insight - Commentary and research from our desk to yours. FactSet, November 27, 2019. https://insight.factset.com/what-ultra-high-net-worth-clients-want-from-wealth-managers.

Knight Frank Research. Rep. *The Wealth Report 2021*. Knight Frank, 2021. https://content.knightfrank.com/research/83/documents/en/the-wealth-report-2021-7865.pdf.

Lacerte, Paul. Rep. *Indigenous Chapter, Impatient Readiness: The State of Social Finance in Canada 2021*. Table of Impact Investment Practitioners, June 2021.

Murray, Sarah. “Rich Millennials Push to Put Family Wealth into Impact Investments.” Financial Times, October 17, 2019. https://www.ft.com/content/972adac6-d928-11e9-9c26-419d783e10e8.

“Offering Memorandum (OM).” Practical Law. Accessed May 14, 2021. https://ca.practicallaw.thomsonreuters.com/4-574-9524?transitionType=Default&contextData=%28sc.Default%29&firstPage=true.

“Permitted Client.” Practical Law. Accessed May 14, 2021. https://ca.practicallaw.thomsonreuters.com/0-606-9007?transitionType=Default&contextData=%28sc.Default%29.

“Putting Wealth Into Action: Competing Priorities and Lack of Time to Comprehensively Plan Are Top Reasons Why Good Intentions Fall Short.” Putting Wealth Into Action: Competing Priorities and Lack of Time to Comprehensively Plan Are Top Reasons Why Good Intentions Fall Short | Business Wire. U.S. Trust, June 26, 2018. https://www.businesswire.com/news/home/20180626005342/en/Putting-Wealth-Into-Action-Competing-Priorities-and-Lack-of-Time-to-Comprehensively-Plan-Are-Top-Reasons-Why-Good-Intentions-Fall-Short.

“Question of the Week: What Is an Investment Dealer?” Nova Scotia Securities Commission, December 13, 2017. https://nssc.novascotia.ca/before-you-invest/question-week-what-investment-dealer#:~:text=An%20investment%20dealer%20is%20an,investment%20funds%2C%20and%20exempt%20products.

Rally Total Impact Fund. Accessed May 12, 2021. https://rallyassets.com/wp-content/uploads/2021/03/Fund-Fact-Sheet-RTIF.pdf.

Rep. 2018 *Canadian Impact Investment Trends Report*. Responsible Investment Association Canada, February 2019. https://www.riacanada.ca/content/uploads/2019/02/2018-Canadian-Impact-Investment-Trends-Report-1.pdf.

Rep. *A Growing Appetite for Impact Investing: What Wealth Advisors Need to Know*. RBC Social Finance Initiative, May 2016. http://www.rbc.com/community-sustainability/_assets-custom/pdf/2016-Appetite%20for%20Impact_Handout.pdf.

Rep. *Glossary.* SVX. Accessed May 13, 2021. https://s3-us-west-2.amazonaws.com/katipult-equity/live/client/svx-ca/Glossary+for+EMD+Platform+-+Formatted.pdf.

Rep. *High Net Worth Individuals in Canada Tapping into Social Media for Actionable Investment Insights.* LinkedIn, 2015. https://business.linkedin.com/content/dam/me/business/en-us/marketing-solutions/cx/2016/pdfs/HNWI-CA-eBook_Final_v2pdf.pdf.

Rep. *Sustainable Signals: Individual Investor Driven by Impact, Conviction and Choice*. Morgan Stanley, September 11, 2019. https://www.morganstanley.com/content/dam/msdotcom/infographics/sustainable-investing/Sustainable_Signals_Individual_Investor_White_Paper_Final.pdf.

Rep. *The Financial Advice Industry in Canada: An Economic Profile*. Advocis, September 2012. https://www.advocis.ca/pdf/Financial-Advice-Industry-Economic-Profile.pdf.

Rep. *The Individual Imperative: Retail Impact Investing Uncovered*. Longitude, an FT Group Company, June 2019. https://www.rockefellerfoundation.org/wp-content/uploads/FT_Focus-IMPACT_V10.pdf.

Rep. *The Philanthropic Conversation: A Guide for Professional Financial Advisors*. Philanthropic Foundations of Canada, October 2016. http://pfc.ca/wp-content/uploads/2018/01/fam-advisor-booklet-en.pdf.

Rep. *The Rise of Impact: Five Steps towards an Inclusive and Sustainable Economy*. UK National Advisory Board on Impact Investing, October 2017. https://golab.bsg.ox.ac.uk/documents/129/The_Rise_of_Impact_UK_NAB_low_res.pdf.

Rep. *The World Ultra Wealth Report 2019*. Wealth-X, September 25, 2019. https://www.wealthx.com/report/world-ultra-wealth-report-2019/#downloadform.

Rep. *Who Own the Assets?* BlackRock, May 2014. https://www.blackrock.com/corporate/literature/whitepaper/viewpoint-who-owns-the-assets-may-2014.pdf.

"Responsible Investment." Responsible Investment Association (RIA). Accessed May 14, 2021. https://www.riacanada.ca/responsible-investment/.

"Risk-Adjusted Returns Explained." Alpha Investing, December 12, 2019. https://www.alphai.com/articles/risk-adjusted-returns-explained/.

Robinson, Amanda. "Turtle Island." The Canadian Encyclopedia. Government of Canada, November 6, 2018. https://www.thecanadianencyclopedia.ca/en/article/turtle-island.

Sin, Ray, Ryan O Murphy, and Samantha Lamas. Rep. *The True Faces of Sustainable Investing: Busting Industry Myths Around ESG*. Morningstar, April 2019. https://www.morningstar.com/lp/esg-investors.

Sonen Capital. "A New Kind of Impact Investment Spectrum: The Holistic Spectrum for Impact." Impact Investment Fund. Impact Investment Fund, September 1, 2017. https://www.impactinvestmentfund.com.au/newsroom/2017/12/3/a-new-kind-of-impact-investment-spectrum-the-holistic-spectrum-forimpact.

Spence, Adam, Marie Ang, and Sunny Han. Rep. Edited by Anisha Jain and Beth Zabloski. *Market Momentum: Impact Investing & High Net Worth Canadians*. MaRS, September 2018. https://impactinvesting.marsdd.com/wp-content/uploads/2018/07/HNWI-Report-Final-Copy-For-Release.pdf.

Team, QuickBooks Canada. "What Is an Accredited Investor?" QuickBooks Canada, December 3, 2019. https://quickbooks.intuit.com/ca/resources/funding-financing/accredited-investor-impact/#:~:text=An%20individual%20who%20has%20a,a%20dealer%20or%20an%20adviser.

"What Is the Exempt Securities Market?" Private Markets Association of Canada. Accessed May 13, 2021. https://www.pcmacanada.com/page/ESM.

Wiener, Jeff. "The Top 1% of Wealth Amounts for Canadians in 2021." The Kickass Entrepreneur, January 8, 2021. https://www.thekickassentrepreneur.com/top-one-percent-of-wealth-for-canadians/.

Appendices

Approach & Rationale

A whole systems approach was employed to understand how Canadian non-institutional investors make investments, including their attitudes and behaviours toward impact investments and, in particular, social impact funds. The diversity of investor groups and the complexity of research areas were best suited to a variety of research methods, including desk research, qualitative interviews and surveys, and quantitative analyses.

The research included interviews with a range of investors, as well as broader research to understand the contextual setting in which non-institutional investors operate. By doing so, EAII was able to identify opportunities to increase investors' awareness of and desire for impact investments, and increase their ability to make them.

In order to build on past research and orient EAII's project within the larger field of impact investment research, EAII began by reviewing relevant and credible secondary research from both Canadian and international sources.

To keep EAII's recommendations focused on implementable solutions, the team periodically shared its research findings and recommendations with social impact funds, fund managers, and key stakeholders for feedback. This feedback is incorporated in the preceding chapters where relevant.

General:

- The research team has deep backgrounds in traditional financial services, investment, and wealth management, as well as impact investment, social finance, and social purpose organizations
- To limit the potential for interviewer bias, all interviews were conducted and/or reviewed by two team members for key insights
- Findings from one investor segment served to corroborate and reinforce learning from others

		Objectives	When?	Who?	How?
Research Areas	General literature review	Identify key findings, themes, and gaps from past research in order to orient EAII's research focus	January 2020	Thirty-three publicly accessible sector-based reports — published between 2014 and 2019 — were reviewed. Of the publications, 16 were Canadian-based, while the remaining 17 were international, mostly from the U.S. and U.K.	Publications were identified from multiple online search engines, repositories, and databases based on key words and authors, and compiled to identify common findings, themes, and gaps
	Social impact funds	• Understand the experiences of social impact funds in the marketplace, including key barriers and potential opportunities • Understand experiences and barriers in relation to different investor segments	January – July 2020	• **Targeted research:** Eleven social impact funds identified as a representative sample of the current impact investment marketplace in Canada. These social impact funds were selected to capture diversity in fund size, fund structure, investment theme, and geographic scope • **Broader research:** Various members of the pan-Canadian Table of Impact Investment Practitioners (TIIP)	• **Targeted research:** Video call interviews • **Broader research:** Four online webinars, feedback sessions, and workshops
	High-net-worth investors	• Understand the investing behaviours, experiences, and practices of HNWI generally, and especially in relation to impact investing and social impact funds • Understand behaviours and experiences in relation to investors currently investing in impact/social impact and those that do not choose to • Understand the importance and relevance of peer networks in making impact investments	January – December 2020	• **Targeted research:** Twelve individuals and single- and multi-family offices, representing approximately 125 VHNW and/or UHNW investors, with an estimated collective wealth of $10 to $15 billion • **Broader research:** Approximately 120 HNWI at the 2020 Angel Investment Forum	• **Targeted research:** Video call interviews • **Broader research:** Attendance at the Western Canadian Angel Summit February 2020
	Mass wealth investors (via wealth advisors and investment dealers)	Understand the general practices and processes of wealth advisors and dealers, as well as their awareness, experiences, and interest regarding impact investing and social impact funds, both for themselves and their clients	October – December 2020	• **Targeted research:** Nine wealth advisors and investment dealers (representing 700+ advisors). The wealth advisors and investment dealers were selected to capture diversity in operational practices, product types, geographies, clients, etc. • **Broader Research:** Survey invitations were sent to 130 Canadian responsible investment advisors (10% response)	• **Targeted research:** Video call interviews • **Broader research:** Three-part online survey to receive further feedback, test ideas, and understand the preferences around potential solutions identified from the targeted research
	Everyday retail investors	Understand the investing behaviours and mindsets of everyday retail investors generally, and especially in relation to impact investing and social impact funds	Survey conducted in July 2020	**Targeted research:** Angus Reid had 910 respondents with investable assets ranging between $25,000 to $1 million from across Canada	**Targeted research:** EAII partnered with Majid Khoury Inc., an experienced research strategy firm, to develop, conduct, and analyse the results of a 17-minute online survey available in both English and French. The results collected are accurate within +/- 3.2 percentage points, 19 times out of 20
	Operations & technology	Identify existing financial technology platforms, their offerings, and potential shortcomings Understand how social impact fund structure may influence the viability of transacting through a platform	January – March 2020	• **Targeted research:** The four most prominent Canadian financial technology platforms • **Broader research:** Various international financial technology platforms	• **Targeted research:** In-person and phone interviews • **Broader research:** Review of publicly accessible information
	Legal	Identify and summarize key securities laws for social impact funds	May – September 2020	**Targeted research:** Legal resource for a broad range of social impact funds	**Targeted research:** EAII partnered with Blakes, Cassels & Graydon LLP (Blakes), a leading Canadian law firm