



NEW MARKET FUNDS

Purposeful Performance

*Investment opportunities with lasting
community benefit*

Expanding Access to Impact Investment (EAI)

Social Investment Funds – Preliminary Findings & Solution Feedback
Session (Zoom)
September 17, 2020

Welcome

- Welcome
 - Background
 - Session Objectives
 - Share abbreviated EAI findings to date
 - Explore stakeholder viability in collaborating on; education, marketing and capital raising initiatives
 - Refine insights and identify the most actionable areas for collaboration at this time
 - Identify initiatives worth advancing (short-, long-term)
- + Test out a method of group information sharing and decision-making (bonus learning)

Agenda

12:00 - Welcome, Intros, Session Objectives (10)

12:10 - Project Overview- Summary of Findings + Deeper on Opportunity Areas + Discussion(25)

12:35 - Intro to Process/Go to Breakout Sessions (35)

1:10 - Short Break (if needed) (5)

1:15 - Regroup, Share Findings, Discuss + Prioritize (30-35)

1:50 - Next Steps (10)

2:00 - Session Concludes

Pacific Standard Time

EAI Project Overview

EAI Project Objective:

New Market Funds Society, as Ecosystem Partner in the Investment Readiness Program, has initiated EAI to explore barriers and opportunities to expand access to investing in Canadian Social Investment Funds (SIFs) from non-institutional investors : Retail, HNWI, Family Offices, and Wealth Advisors. <https://newmarketfunds.ca/irp/>

The EAI work seeks to address the following key areas:

- Marketplace issues, investor attitudes/behaviours, SIF operating realities and regulatory/legal environment
- What has/hasn't worked in raising capital, why? (investor/SIF/stakeholder perspectives)
- Assessing (private) investment transaction platforms and opportunities to utilize technology to better access capital
- **Identification of gaps and opportunities (market-based & technological) in our realm of influence (excluding policy)**
- SIF feedback and rapid market testing (what can realistically be implemented, short/long term?)
- Reporting back to ESDC

Approach: Innovation & Implementable Solutions Focused

- Iterative (lean) and focused on practical solutions, SIF/investor feedback and testing, to benefit broad range of Canadian SIFs - (report required but secondary to solution development)

Team: (Bios included in IRP info linked above)

Derek Ballantyne - NMF Exec. Lead
Dawn Bowles - Market Development & Investor Acquisition
Travis Inlow - Technical & Regulatory/Securities Implications
Lena Courcol - Project Coordination

Process & Status

Nov/19 – Mar /21

Project strategy & plan development

Nov 19 –
Jun 20

Secondary research roundup (directional)

Primary interviews with Canadian investment platforms to understand technology and barriers/opportunities for SIF use in accessing capital

Review of Canadian legal and securities regulations (with legal support) applicable to SIFs

- Primary interviews with investors, advisors and stakeholders (paused due to COVID and reprioritized)

Primary SIF interviews & preliminary findings



Jul –
Dec 20

- National research with “Everyday Investors” = \$25K-\$1M (In process w/Angus Reid - findings by end of Aug)
- Share Stage 1 Findings, opportunities and potential direction for SIF feedback /to inform next set of research outreach (Aug.)
- Resumption of advisor, investor, stakeholder interviews refined to reflect SIF feedback and key opportunity areas (Aug-Sep)

- Share legal/securities resource guide to incorporate any additional practical experience from SIFs
- Incorporate additional insights and refine key opportunities (including viability) for rapid testing & SIF feedback (Oct)
- Rapid test and refine with learnings (timing to be decided)
- Agree final key opportunities for further exploration/implementation and recommendations (timing to be decided)

Jan –
March 21

- Report & recommendation development/submission to ESDC (Jan-Mar 2021)

Secondary Findings + Primary Research (to date)

Secondary (non-inst.) Investor Research Round Up (from recent, relevant Canadian & International research) :

Top Barriers for “Impact Investments”: (Expanded GIIN Definition)

- Awareness & Understanding
- Performance, Risk (actual and perceived), Liquidity
- Difficulty to Find, Access, Manage Suitable Investments (through usual investment channels)

Primary Research Interviews to Date: *EAll is very grateful to everyone who has provided feedback to the project so far - Thank You.*

- 15 of approx. 25 Investors/advisors/stakeholders (still in progress)
- 3 Platforms
 - CoPower
 - DealSquare/Frontfundr
 - SVX
- 11 SIFS * Selected as representative of Canadian Marketplace by fund type/impact area:

*Active Impact Investments
Community Forward Fund
CoPower Green Bonds
Fiducie du Chantier de l'économie
sociale/Cap Finance
New Commons Development Fund
New Market Affordable Housing Fund*

*Raven Indigenous Capital Partners
Rhiza Capital
Social Enterprise Fund
Verge Capital Management/Pillar
Windmill Microlending*

* Approx. \$250M in AUM - 16% Non-Inst. (More fulsome data required across sector to track progress)

Research Areas:

- Fund Operations
- Marketing, Education, Capital Acquisition & IR (Sales)
- Distribution Advisors/Platforms
- Regulatory Considerations

Select Key Primary Findings

Awareness + Understanding + Perception of Risk

Investors tend to invest in what they know or can easily understand

- SIFs use a variety of marketing channels to promote offerings and varying messaging to explain “impact investing” - multiple approaches with different messaging confuses marketplace and adds to perception of risk
- SIFs mostly present themselves to the marketplace as unique with complex messaging and identify as “different” despite having similarities to more known types of investments (private equity, debentures, etc.)
- Most SIFs must also undertake education process with investors before selling them on the investment itself
- SIFs often don’t have either in-house resources, or the budget to allocate for dedicated education, marketing and capital raising activities.

Distribution: Wealth Advisors

Difficult for Advisors to “sell” and yet, mission-aligned Advisors are trying despite challenges:

- Multiple challenges to distribute through investment Dealers due to strict regulatory requirements, and competitive investment products
- No incentives to motivate traditional wealth advisors to find ways to understand and incorporate SIFs into their practices and most can't be compensated for selling them
- Marketing to Wealth Advisors is labour intensive and is usually dependant on the SIFs ability to leverage personal relationships and networks and find the “right type of Advisor” - not a sustainable, scalable approach
- Wealth Advisors/Dealers are accustomed to a level/type of marketing and sales and a particular vetting process that aren't possible for most SIFs
- Public Impact Funds are a gateway to SIF Investment – usually comes first
- **Participating Advisors** (predominantly Fee Based) are usually mission-aligned themselves and have been a key referral source for SIFs but investments must be completed off-book and often at arms-length with no or little education or marketing support from SIFs

Distribution: Multi-Fund Platforms

Platforms: (i.e SVX/Frontfundr) haven't been effective on "as is"

- Online platforms haven't been widely successful in raising non-institutional capital for SIFs
- Platforms do not provide the extensive marketing support to issuers require to expand their investor base
- Platforms attract self-driven individuals who are comfortable making own investment decisions, which is a smaller subset of investors
- Despite being on a platform, marketing & sales primarily remain the SIFs obligation, which are labour intensive and require personal relationships/networks

Summary of Preliminary Findings & Opportunity Areas

- Most SIFs want to access non-institutional investors citing “democratization of impact investment” but currently viewed as not financially viable given time and expense needed
- Most are looking to up their ticket size at this time (until there is a more viable way of accessing smaller investors)
- Broad awareness and understanding are critical first steps and key success factors in getting more funds into SIFs -ALL types of investors - Doing this well is beyond the internal skill sets and budgets for the vast majority of SIFs - Sector aggregation/organization can overcome this
- Reducing investor risk, and perception of risk is another critical factor that can be achieved through a combination of many activities incl.; product construct, effective education, sales, marketing, efficiencies in investor/deal matching, and 3rd party vetting
- Wealth advisors are important and will come along, but it will take time and has many barriers and steps to move through- can be accelerated by directly supporting the “already convinced” advisors and creating market demand (“pull” from their clients)
- Legal forms, regulatory and securities implications are complex and will likely remain that way - the opportunity is in finding ways to reduce costs of access and navigation for SIFs as well as reducing investor exposure to unnecessary complexities (where possible)
- Platforms are useful, but not without professional marketing, sales and investor/advisor acquisition components, or connections to front end them

OPPORTUNITY:

- SIFs on their own are small - likely won’t ever have the high budgets that mainstream investment orgs do, but **TOGETHER** could benefit from opportunities to **collaborate** for economies of scale in multiple areas
- The **value proposition of the funds themselves** (once understood) AND the **willingness & ability of the sector to come together is the competitive advantage we hold over traditional investments**
- We have an **opportunity to capitalize on this now** to **address the key barriers** we face in **accessing sustainable capital from more mainstream investor segments**

Possible Ways to Organize SIF Sector for Collaboration

Economies (and Efficacy) of Scale

Increasing Awareness & Understanding

Credibility/Risk

Ease & Efficiency of Access



Collaborate on “External Facing” Activities

3. Areas of Exploration:

1. Messaging, PR, Marketing
2. Education programs & resources
3. Capital raising & investor relations

Why These?

- Scale (Competitive advantage)
- Foundational activities to support all types of investors and investment channels
- Some implementable in short term

Specific Opportunity Areas for Exploration (Today)

3 Areas for Group Exploration:

- 1. How might we collaborate** to develop affordable, professional and unified sector **messaging, PR and SIF marketing** for different types of investor segments while also communicating the respective uniqueness & value proposition for each fund?
- 2. How might we collaborate** to develop affordable, professional and harmonized **educational programs and tools** for respective (Retail, HNW, Advisor) investor segments in ways that are useful to many/all of us?
- 3. How might we collaborate** on affordable, efficient and **competitive investment capital raising & IR activities**, while also communicating the respective uniqueness and value proposition of for each fund?

Feedback?

Seven 25

Isabelle Swidersky

Meaghan Kennedy

Ashley Touchton

30 Minutes

3 Groups

Findings Discussion & Next Steps

Regroup

30 - 40 Minutes

Thank you!

EAI Contact Info:

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Travis Inlow - Technical & Regulatory/Securities Implications tinlow@newmarketfunds.ca

Lena Courcol – Project Coordinator lcourcol@newmarketfunds.ca

Expanding Access to Impact Investment

Seven25 for New Market Funds/EAll
Thursday 17 September
12–2pm PST

OPPORTUNITY

The goals of this session are to:

- Share findings and uncover best opportunities for collaboration
- Build on the project's research phase to identify key opportunities in 3 areas:
 - Messaging, PR & marketing
 - Education programs & resources
 - Capital raising & investor relations

PROCESS

We will break out into groups to collectively come up with ideas on how to move forward on each theme.

- each group will focus on one area of opportunity
- we will brainstorm as a small group and collect all ideas
- the group will clarify each chosen idea and plot it according to its estimated potential impact / effort ratio
- each group will choose its 5 most promising ideas
- we will reconvene as a large group
- one person from each group will present their group's top ideas to everyone for further discussion

SESSION

GROUPS

Group 1 / Messaging, PR & marketing (AT)

1. Dawn Bowles
2. Lena Courcol
3. Brian Smith
4. Beatrice Alain
5. Derek Pachal
6. Brenda Irwin
7. Annette Aquin
8. Richard Tuck

Group 2 / Education programs & resources (MBK)

1. Travis Inlow
2. Garth Davis
3. Eoin Callan
4. Brendan Reimer
5. Kristi Fairholm Mader
6. Elyse Crowston
7. Carinna D'Abramo Rosales
8. Claudia Hepburn

Group 3 / Capital raising & investor relations (IS)

1. Derek Ballantyne
2. Jacques Charest
3. Jeff Cyr
4. Li Jang
5. Victor Beausoleil
6. James Chan
7. Darcy Penner
8. Lina Bowden

MESSAGING, PR, & MARKETING

How might we collaborate to develop affordable, professional and unified sector messaging, PR and marketing for different types of investor segments while also communicating the respective uniqueness & value proposition for each fund?

Comment pouvons nous collaborer pour développer un message, et une approche de relations publiques et de marketing unifiés s'adressant à différents segments d'investisseurs, tout en respectant la proposition de valeur unique à chaque fond d'investissement?

Examples:

- a. **Jointly commissioned market research & insight gathering**
Étude de marché et collecte d'informations commandées conjointement
- a. **Professionally developed sector branding and key messaging**
Image de marque du secteur et messages clés développés par des professionnels

EDUCATION PROGRAMS & RESOURCES

How might we collaborate to develop affordable, professional and harmonized educational programs and resources for respective (Retail, HNW, Advisor) investor segments in ways that are useful to many/all of us?

Comment pouvons nous collaborer pour développer des programmes et des outils de formation abordables, professionnels et unifiés s'adressant à des segments spécifiques d'investisseurs de manière à ce qu'ils soient utiles pour plusieurs/la majorité d'entre nous?

Examples:

- a. Joint research to understand educational requirements for different investor segments
Recherche conjointe pour comprendre les exigences de formation des différents segments d'investisseurs
- a. Jointly funded (brandable) explainer videos and collateral
Vidéos et documentation explicatives financées conjointement (personnalisables)

GROUP 3

CAPITAL RAISING & INVESTOR RELATIONS

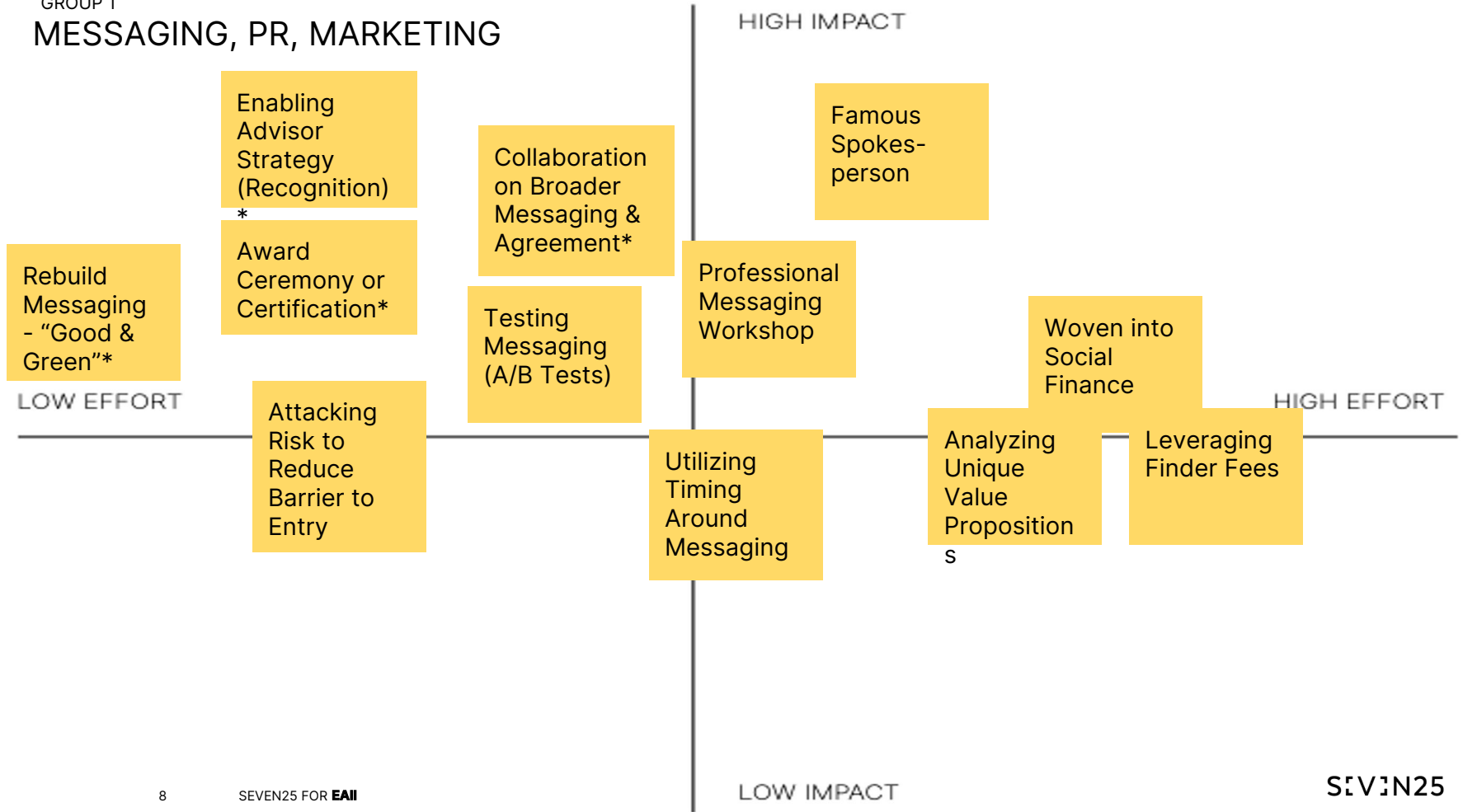
How might we collaborate on affordable, efficient and competitive investment capital raising & IR activities, while also communicating the respective uniqueness and value proposition of each fund?

Comment pouvons nous collaborer pour opérer des levées de fonds efficaces et compétitives et pour gérer nos relations avec les investisseurs tout en respectant la proposition de valeur unique à chaque fond d'investissement?

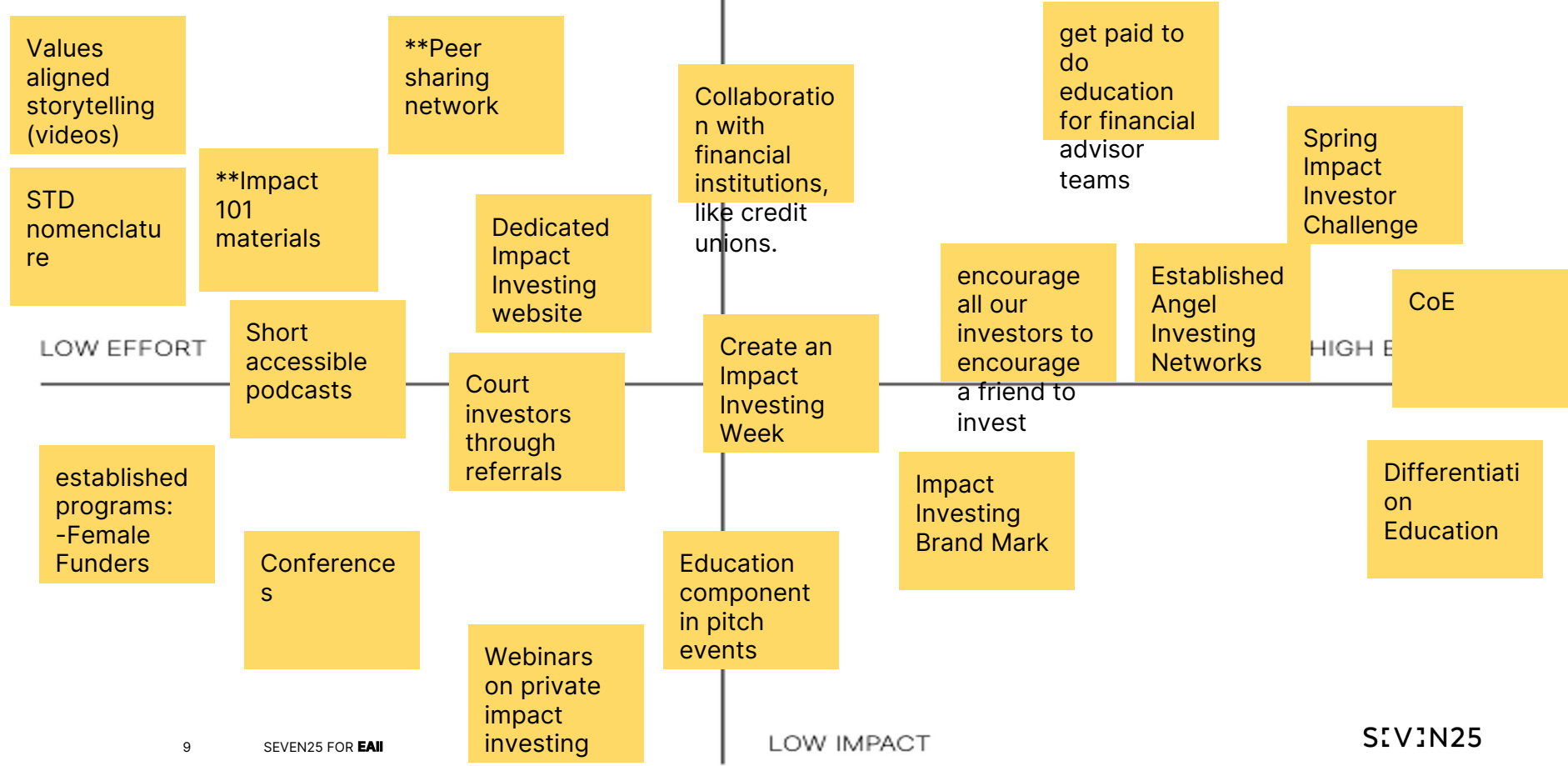
Examples:

- a. Multi-fund Salesforce/IR
Relations avec investisseurs et équipe chargée de vente multi-fonds
- a. Joint Pitch Events
Événements de pitch communs

MESSAGING, PR, MARKETING



EDUCATION PROGRAMS & TOOLS



CAPITAL RAISING & INVESTOR RELATIONS

Retail investors
Accredited—how to invite

Non-profit that runs as investor marketing/ awareness/sector mapping/due diligence

Find a way to be collaborative in capital raising (not compete)

Present specialised themes to make it easier (fee for the fund and it works)

LOW EFFORT

*(Common?) Service provider that small funds can outsource to affordably—signing up investors remotely, statements, record keeping.

Tech solution centralising Info (Open Impact was that)

Development of private placement in Canada?
Venture capital is not well understood.

Education, awareness, excitement in area that is of interest to investor

HIGH IMPACT

*The Portfolio Manager (dealer license) (Rally Assets/Genus Capital for accredited investors, they decide)—help create portfolios of impact

Federal government support offering a service provider that handles complicated structures. Common platform to ramp up quickly.

*Create an independent collective that creates the handshake between investors and funds (open impact?) Selling the movement.

*All participants own a part of the common structure? Collaborative, cooperative structure to reduce duplication. Dual win: demonstrate values and deliver value.

HIGH EFFORT

Advisors how to address those barriers with them.

Local investors and local ventures is important / retain in a common structure. (CDFI example)

Having trust in the product. Generate a report more simply.

LOW IMPACT

SEVEN25

Thank you!

Seven25 for New Market Funds
Thursday 17 September
12–2pm PST

Description of Six Possible Initiatives for EAI

Below are six possible initiatives that support the three key opportunity areas that could be executed or scoped in the shorter term (October 2020 - February 2021).

1. Messaging, PR, Marketing: Develop consistent investor-focused messaging that clearly communicates our shared value proposition. This will seek to unify our sector-wide messaging for outward-facing engagement channels.

- **Deliverables:** Sector Brand Blueprint, Messaging and PR Kit (investor and public facing), Plan and alignment on use.

Key consideration will be to ensure that individual SIF brand and value propositions are enhanced by the sector messaging, not replaced by it.

2. Education, Programs & Tools: (Brandable) investor-facing educational materials. This may involve creating a NIIPT peer-sharing repository, in which funds would be able to share their current materials. Additionally, it may require soliciting funding (sponsor or government) for further research on investor education needs and material harmonization.

- **Deliverables:** Peer Sharing Network (for collateral), a plan for funding options to develop sector education collateral “kit” (exact contents TBD).

3. Capital Raising & Investor Relations: Create a range of sample portfolios from existing funds to present to investors and test whether they are feasible and attractive to them. This would involve the development of a fund profile and thematic grouping of SIFs. It may also involve exploring whether integrating traditional or public ESG products are interesting to investors.

- **Deliverables:** Process learning and sample portfolios.

4. Capital Raising & Investor Relations: Develop a joint pitch session and materials for 2-3 complimentary funds to present to a panel of investors (by 1 rep).

- **Deliverables:** Pitch Deck and better understanding of both SIF and investor considerations in grouping investment opportunities for efficiency in reaching investors (for both sides) (use offline and online)

5. Capital Raising & Investor Relations - Deeper viability work on developing a tech portal that educates and matches investors to investments as a “front end” to a platform or other channels of investment.

- **Deliverables:** Assumption testing, Costing, and Stakeholder and Partner Engagement Approach for “front end” platform.

6. Marketing/Education/Capital +IR: 1. Enable and support the “already convinced” advisors through outreach conversations to explore specific incentives, tools and resources needed. From these discussions, develop collateral accordingly (may be partly solved by education material and branding material noted above), collaborate with RIA and help already convinced advisors form a peer network.

- **Deliverables:** Advisor materials, peer network for “already convinced” advisors