



Social Finance Impact First Fund

Quarterly Report for the Period Ending September 30, 2024

Quarterly Report

For the period ending September 30, 2024

ABOUT SOCIAL FINANCE

Social Finance is a national nonprofit and registered investment adviser. Since 2011, Social Finance has designed or managed 20+ impact investment funds, social impact bonds, and thematic impact investment portfolios ranging in size from \$3M to \$100M, mobilizing more than \$400M of impact capital toward measurable, positive social impact. Our teams work across the public, private, and social sectors, leveraging multiple approaches to achieve impact.

OVERVIEW

Thank you for your support of the [Social Finance Impact First Fund](#). We are pleased to share with you this quarterly update, which covers Fund activity through September 30, 2024.

We established the Fund to facilitate impact investments in innovative solutions to our country's most pressing social and environmental challenges by making these investments more accessible and cost-effective for philanthropic investors.

The Fund identifies fund managers whose business models have the potential to deliver meaningful and measurable positive outcomes for communities and the environment. We prioritize funds that fill important gaps in the impact ecosystem, particularly those led by people representing the communities they serve.

Our team seeks to remove barriers to impact-first investing by partnering with fund managers who use market-based approaches to achieve impact at scale. We seek to support our managers to help them access new resources and capital in the broader impact investing ecosystem.

Since launching the Fund a little over a year ago, we have raised capital from a diverse group of individuals and organizations, including those

new to impact investing and established leaders in the field.

We have allocated the Fund's capital across a diversified portfolio of investments focused on enhancing homeownership and wealth-building opportunities for families in low-income communities, combating climate change via clean energy initiatives, supporting job creation in underinvested rural areas, and improving access to affordable childcare while promoting economic opportunity for providers of childcare. We identify these opportunities through a rigorous impact, financial, and operational diligence process while delivering diversification across issue area, geography, asset class, and duration.



As described in previous reports, the Fund maintains allocated but undrawn capital in a community development financial institution (CDFI) committed to benefiting low- and moderate-income communities, while also striving to raise awareness and facilitate capital flow into underserved markets.

QUARTERLY HIGHLIGHTS

As previewed in our second quarter letter, we closed on our third Fund investment, [RuralWorks Partners](#) (RuralWorks), during the third quarter. RuralWorks is a growth equity fund making debt and equity investments in innovative, eco-friendly businesses seeking to promote economic mobility in rural communities, i.e., communities with populations of 50,000 or less.

RuralWorks is one of roughly 20 active equity investment funds to be licensed by the US Department of Agriculture (USDA) as a Rural Business Investment Company (RBIC), a program that promotes economic development and wealth building opportunities in rural communities across the country. RuralWorks believes that rural communities are fertile grounds for businesses that offer innovative solutions to climate change and other environmental challenges, and as a result, have a crucial role to play in addressing global environmental issues.

To date, RuralWorks has committed \$7.5 million in three portfolio companies:

- [TimberHP](#), the first and only U.S. manufacturer of wood fiber insulation for the construction industry that operates out of a formerly closed paper mill in Madison, Maine.
- [American Unagi](#), the first and only domestic eel farm and aquaculture facility in the U.S. that has partnered with the Passamaquoddy Tribe to scale its operations in Maine.

- [Glavel](#), a producer of eco-friendly foam glass gravel made from recycled materials to enhance energy efficiency in building construction.

Read more about what RuralWorks is trying to accomplish below in our Spotlight Interview with RuralWorks Director of Impact and Engagement, Louisa Schibli.

In addition to our investment in RuralWorks, our team continues to work with [Mission Driven Finance](#) to finalize our loan to support their Care Access Real Estate (CARE) real estate investment trust (REIT), a new venture created to help address the critical shortage of affordable child care, ensure the availability of appropriate, high quality facilities to child care providers, and provide opportunities for caregivers—most of whom are low-income women, many from BIPOC communities—to expand their businesses and build wealth.

Our team also continued to partner with the teams at [Blackstar Stability Distressed Debt Fund](#) (Blackstar) and [Afterglow Climate Justice Fund](#) (Afterglow) to support their growth and effective deployment of capital.

Blackstar Managing Principal, John Green was quoted in [an article](#) in The New York Times describing the threat contracts for deeds, also known as land contracts, pose for would-be homeowners, especially in low-income communities. To date, Blackstar has transferred an average equity balance of approximately \$42,000 to 90 families, and decreased those households' monthly principal and interest payments by 24%.

Afterglow Co-Founder and Managing Director, Aner Ben-Ami and Senior Associate, James Pippim joined Social Finance for our quarterly update call in September to describe their work to help frontline and marginalized communities access clean energy, clean transportation,



SPOTLIGHT INTERVIEW

Louisa Schibli
Director of Impact and
Engagement, RuralWorks

Social Finance Director of Impact Investments, John Pion, spoke with RuralWorks Director of Impact and Engagement, Louisa Schibli about the company's mission and vision for the Fund.

Tell us about the origins of RuralWorks. What makes your model unique?

RuralWorks was founded with a mission to drive economic mobility in rural areas by providing growth equity capital to businesses that are aligned with both community and environmental impact. The origins lie in recognizing a gap in capital for rural businesses that are often overlooked by traditional investors, despite their significant potential to generate sustainable jobs and contribute to local economies.

What makes us unique is our focus on rural markets and our commitment to businesses that prioritize impact—not just profitability. By investing in companies that provide quality jobs, support community vitality, and have a positive environmental footprint, we're creating long-term value for both investors and communities.

Talk about RuralWorks' latest investment.

Glavel is a company that produces foam glass gravel, an innovative material made from 100% recycled glass. This material is used in construction as an alternative to traditional gravel, offering not only a sustainable building material but also reducing landfill waste. From an impact perspective, Glavel fits perfectly into our thesis of environmental sustainability by addressing a critical waste stream and contributing to a circular economy. Their commitment to producing domestically, in rural Vermont, aligns with our focus on creating quality jobs in rural areas, while simultaneously helping reduce emissions and landfill burden.

The combination of strong financial growth potential and clear environmental and community benefits made Glavel an ideal investment for us.

What inspired you to do this work?

My personal journey to joining RuralWorks started years ago when I founded Milk Money Vermont, an equity crowdfunding platform connecting all Vermonters to Vermont businesses raising capital.

I quickly learned that rural entrepreneurs face challenges beyond just lack of access to capital but also access to many other forms of capital, such as intellectual, social and built capital. Until recently, Rural America was left out of the conversation about innovation and growth, but I've seen firsthand how much potential these areas hold. Being part of a firm that's committed to empowering rural businesses while driving environmental and social impact is a perfect fit for me. It's deeply rewarding to work on investments that not only drive returns but also contribute to the long-term vitality of rural communities.

What excites you about the year ahead? What keeps you up at night?

As we look ahead to 2025, I'm excited about the increasing attention on climate resilience and the role that rural businesses can play in driving sustainable solutions. We're seeing the emergence of more innovative companies like Glavel and TimberHP, which are solving environmental challenges while creating jobs in rural areas.

I worry about the continued difficulty that rural businesses face in accessing capital. While there's been progress, too many rural companies still struggle to attract investment. That's why we created RuralWorks, but we can't do it alone. Overcoming this barrier to capital will be key to scaling our impact—and to helping the businesses in our portfolio and emerging businesses in our communities live up to their potential in the years to come.

and energy efficiency services by making loans to developers and community organizations providing those services.

Pippim described Afterglow's partnership with RE-volv, a nonprofit organization focused on helping nonprofits access solar energy and energy savings through an innovative model that activates and trains a new generation of clean energy leaders and professionals. RE-volv finances the upfront costs of solar installations with a blend of philanthropic grants, donations, and investment; as nonprofits pay for power, their repayment of these costs gets recycled to finance additional systems.

Learn more about RE-volv's model [here](#). Listen to Aner Ben-Ami and James Pippim from Afterglow talk about their model on our quarterly update call [here](#), starting at 24:14.

The Social Finance team has been working hard on our first Annual Impact Report for the Fund. This report will be the Fund's first opportunity to share more about the impact our investors' capital has had on the communities and projects we seek to support. In addition to providing an update on the Fund's impact, the report also dives deeper into how the Fund approaches investment diligence through an impact-first lens, how impact is quantified in a way that dignifies the communities we support, and lessons learned in the first year of operating such an innovative fund structure. The impact report will be published broadly later this month.

Our Social Finance team continues to partner with philanthropists, foundations, advisors and other allies to unlock new resources for impact.

Recently, we hosted a fireside chat on impact-first investing for family offices and advisors featuring Adirondack Capital Management's Managing Director Cait Haught and our own Tracy Palandjian at our Boston office. President

and Chief Operating Officer Kirstin Hill took the stage with Aspen Institute's Erica Karp, UNICEF's Cristina Shapiro, and Soros Economic Development Fund's Georgia Levenson Keohane at The Financial Times Moral Money Summit Americas for "[Impact investing and philanthropy - How can investment models be improved to drive large-scale positive outcomes?](#)" Kirstin was also in Los Angeles recently to participate on a panel at the UBS Philanthropy Roundtable: Going Beyond Giving, together with Social Finance board member Ian Simmons. Finally, Vice Presidents Mike Silvestri and Jess Brooks joined the National Center for Family Philanthropy at their National Forum on Family Philanthropy in Atlanta in September, leading a workshop on the Essentials of Impact Investing, and co-hosting an "Impact Investing Deep Dive" with Veris Wealth Partners.

We are also partnering with community foundations and philanthropic families to help them activate charitable dollars in mission-aligned impact-first investments. Recent highlights include an engagement with [Aspen Community Foundation](#) that will allow donors to leverage charitable funds and multiply their impact locally, exploring the feasibility of a housing fund for a community foundation in Washington, designing an impact-first investment fund for a faith-based private foundation, and leading a set of impact investing workshops for a large family office.

If you know philanthropic individuals or organizations we should be connecting with, reach out to Jess at jbrooks@socialfinance.org to let us know.

The [Social Finance Institute](#) is moving forward with research partnerships focused on building awareness of impact-first investing and demonstrating its value as a complement to grant-making and traditional investing in addressing social and environmental challenges

at scale. The first of these partnerships, with the [Rustandy Center for Social Sector Innovation](#) at the University of Chicago Booth School of Business and led by Professor Robert Gertner, will focus on three primary areas of work:

- Creating an online tool to optimize the allocation of philanthropic dollars across grants, market-rate investments, and impact-first investments.
- Drafting companion papers to explain and illustrate the tool's approach through use cases.
- Amplifying these materials through strategic outreach.

LOOKING AHEAD

Our work in the quarter ahead—and the Impact First Fund's ability to deliver on its promise—focuses on four key areas of work: raising capital from philanthropists and investors who want to put money to work in business models that create meaningful outcomes for people and planet; deploying capital to innovative fund managers with best-in-class impact-first solutions; managing our investments to help them achieve their potential; and measuring and reporting on results to learn from our experience and help grow the field. In the coming months, we will continue our work in all these initiatives.

Raising capital

Our ability to grow the Impact First Fund and increase investments for positive outcomes relies on partnerships with investors, supporters, and allies like you. Please join us in spreading the word about impact-first investing and continue to connect us with individuals and organizations who should know about our work. Are there networks you participate in that we should be

reaching out to with education and outreach opportunities? Are you willing to talk about your own experience in impact-first investing with Social Finance, either one-on-one with a potential investor or on a webinar, panel or fireside chat?

Reach out to Jess at jbrooks@socialfinance.org to share ideas and find out more about what's on our calendar. Or share an invitation to our quarterly investor webinar—see details below!

Deploying capital to innovative fund managers

As described on our most recent quarterly call, we continue to build our new deal pipeline. Three areas we are focused on for upcoming investment include: small business investment, especially investment in underrepresented entrepreneurs, shared employee ownership, addressing the "silver tsunami" of retiring business owners and creating an opportunity for employees to build wealth; and regenerative agriculture, promoting sustainable food systems that help foster healthier communities, secure food sources for future generations, and restore the planet's natural balance.

Managing our investments

We will continue to work with the teams at Blackstar, Afterglow and RuralWorks to support their businesses, and with the team at Mission Driven Finance to close our existing loan commitment.

Measuring and reporting on results

In addition to our Annual Impact Report described above, we will host our [Quarterly Investor Update on Thursday, December 5th at 12 p.m. EST](#). The webinar will provide a recap of the details included here and an opportunity to hear more from Louisa Schibli of RuralWorks about the company's innovative approach to

strengthening rural businesses and economies. On behalf of all of us here at Social Finance, thank you for your support of the Impact First Fund. In this season of giving thanks, we are grateful to you for your partnership. We look forward to continuing to work with you to put money to work.



Kirstin Hill
President & Chief Operating Officer
Social Finance



Jess Brooks
Vice President, Investor Relations
Social Finance

REGISTER FOR OUR
QUARTERLY INVESTOR UPDATE

CLOSED & COMMITTED INVESTMENTS

as of September 30, 2024



Blackstar Stability Distressed Debt Fund

Issue Area(s): Affordable Housing and Homeownership
Asset Class: Private Real Estate
Commitment: \$5.0M closed in Q4 2023
Impact Metrics: Equity Transferred, Reduction in Interest Payments, and Growth in Wealth

U.N. SUSTAINABLE DEVELOPMENT GOALS



Afterglow Climate Justice Fund

Issue Area(s): Clean Energy and Environment
Asset Class: Private Debt
Commitment: \$2.5M closed in Q4 2023
Impact Metrics: Carbon Emission Reduction, Reduction in Energy Bills, and Quality Jobs Created

U.N. SUSTAINABLE DEVELOPMENT GOALS



RuralWorks

Issue Area(s): Rural Business, Economic Mobility, and Environment
Asset Class: Growth Equity
Commitment: \$2.5M closed in Q3 2024

U.N. SUSTAINABLE DEVELOPMENT GOALS



Mission Driven Finance

Issue Area(s): Child Care and Economic Mobility
Asset Class: Private Debt
Commitment: \$2.0M committed Q2 2024

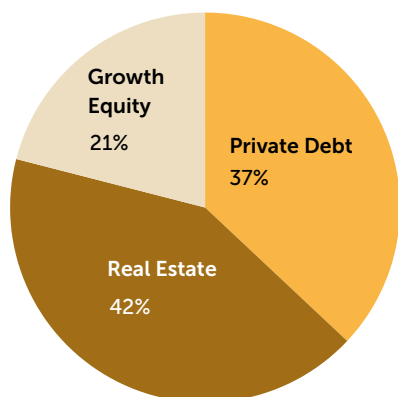
U.N. SUSTAINABLE DEVELOPMENT GOALS



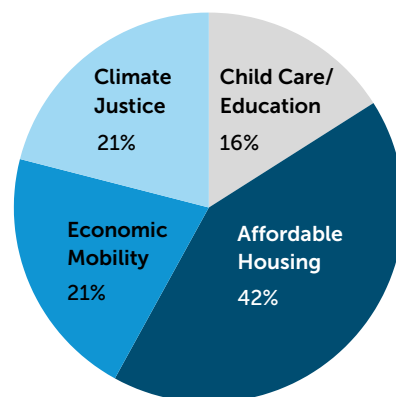
CLOSED & COMMITTED CAPITAL

as of September 30, 2024

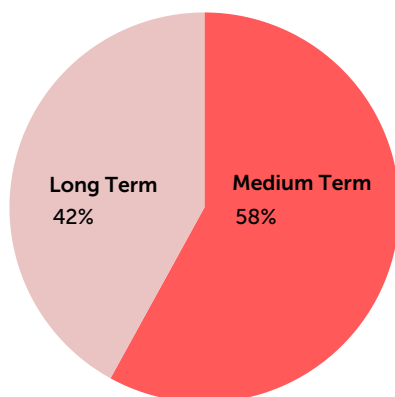
By Strategy



By Issue Area



By Duration



FUND	STATUS	INVESTMENT	STRATEGY	ISSUE AREA	DURATION
Blackstar Stability Distressed Debt Fund	Closed	\$5.0M	Real Estate	Affordable Housing	Medium Term
Afterglow Climate Justice Fund	Closed	\$2.5M	Private Debt	Climate Justice	Long Term
RuralWorks	Closed	\$2.5M	Growth Equity	Economic Mobility	Long Term
CARE REIT (Mission Driven Finance)	Committed	\$2.0M	Private Debt	Child Care/Education	Medium Term

