

# Social Finance Impact First Fund Quarterly Investor Update

Q3 2024



# TODAY'S SPEAKERS



**Kirstin Hill**

President & Chief  
Operating Officer,  
Social Finance



**Jess Brooks**

Vice President,  
Investor Relations,  
Social Finance



**Stephen Vicinelli**

Vice President,  
Impact Investments,  
Social Finance



**Louisa Schibli**

Director of Impact  
and Engagement,  
RuralWorks

# SOCIAL FINANCE OVERVIEW

Social Finance is a national nonprofit and registered investment advisor. We work with the public, private, and social sectors to build innovative partnerships and funding models that measurably and meaningfully improve lives.

**\$400+ million  
mobilized**

**Offices in Boston, Austin,  
San Francisco, Washington, DC,  
and New York**

**Staff of 120+**

## Our Work



### Public Sector/Advisory

Help governments build more effective and equitable service delivery systems to achieve social progress and economic mobility



### Workforce & Education Investments

Partner with training institutions, supportive service providers, and employers to support economic mobility for priority populations



### Impact-First Investments

Mobilize new capital to create measurable social and environmental outcomes with products and services that make it easier and more cost-effective to put money to work

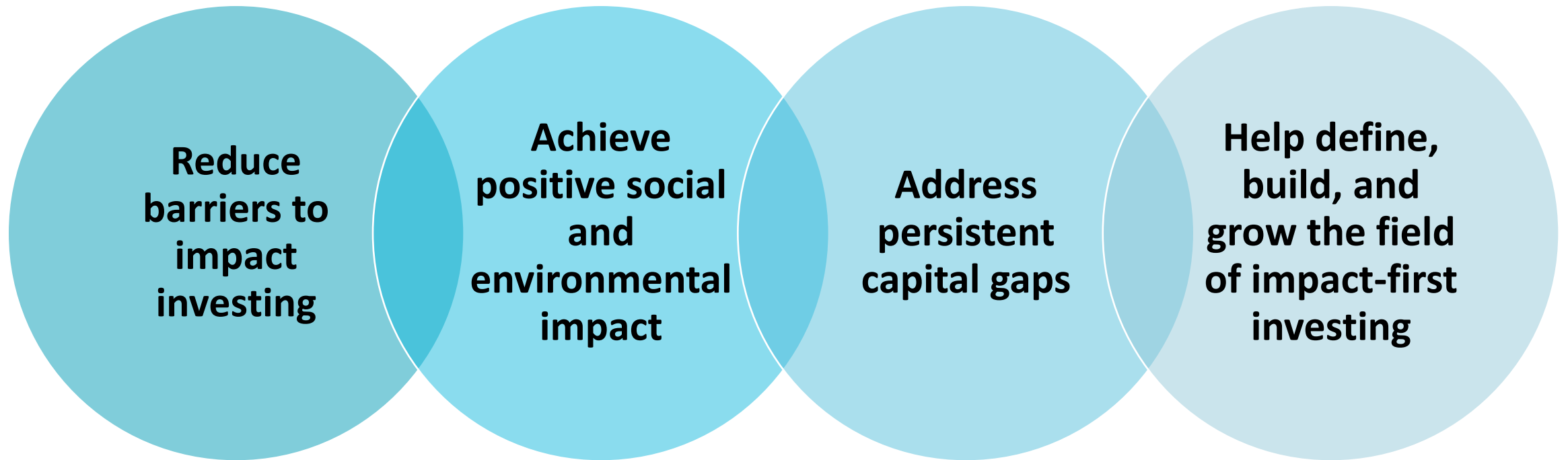


### Social Finance Institute

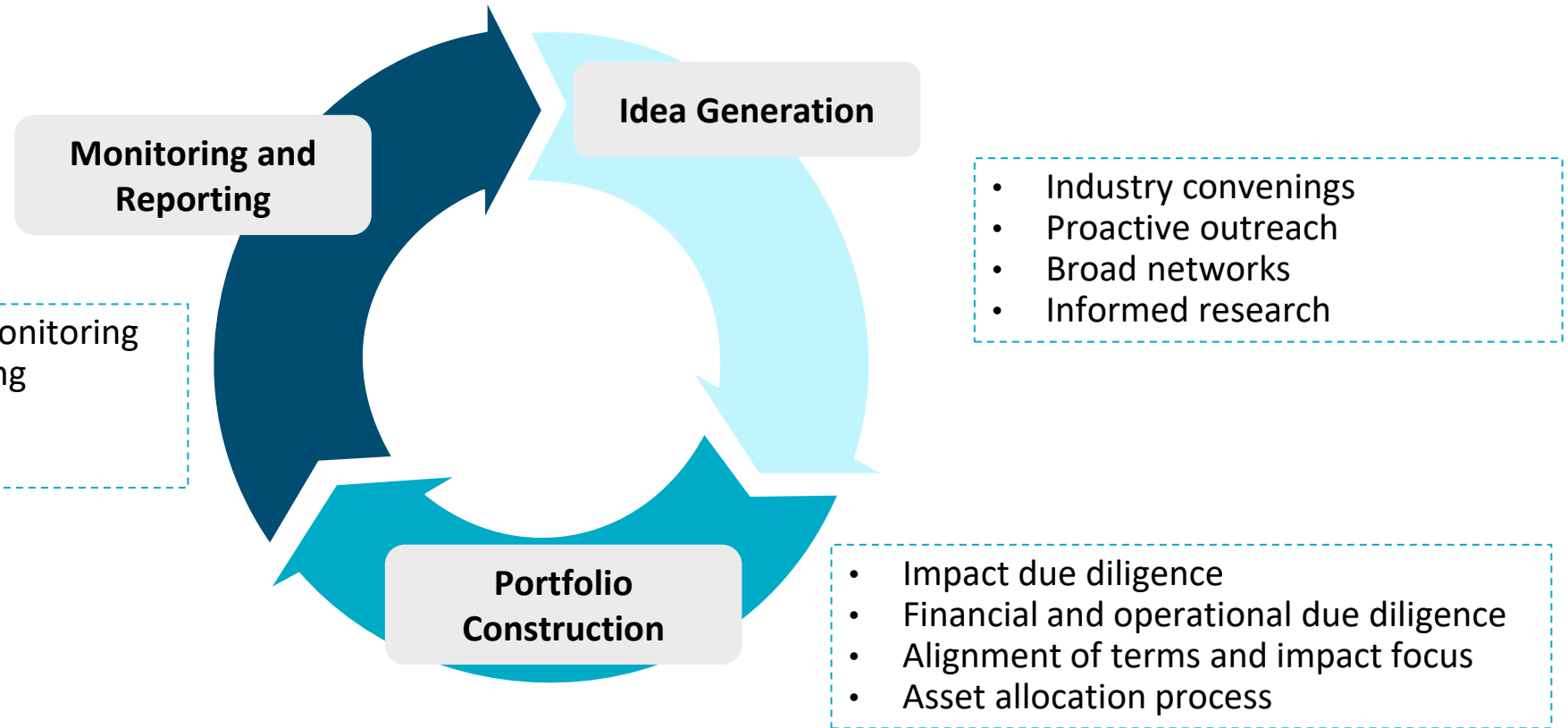
Develop and disseminate insights and findings from practitioners and thought leaders to mainstream and scale outcomes-based financing models and impact-first investing

# GOALS OF THE SOCIAL FINANCE IMPACT FIRST FUND

We created the Impact First Fund to make it easier for people and organizations to put money to work supporting innovative solutions to our most pressing social and environmental challenges.



# OUR INVESTMENT PROCESS



# OUR PORTFOLIO

As of September 2024, the Fund has closed or committed \$12 million to four fund managers.

## Affordable Housing



**About:** Real estate investment fund helping low- and middle-income homeowners refinance predatory home loans and build wealth.

**Asset Class:** Private Real Assets

**Commitment:** \$5M closed in Q4 2023

## Clean Energy/Climate



**About:** Provides catalytic debt to community-based clean energy projects benefitting underserved communities disproportionately affected by climate change.

**Asset Class:** Private Debt

**Commitment:** \$2.5M closed in Q4 2023

## Economic Mobility



**About:** Growth equity fund addressing the wealth and opportunity gap in rural communities by investing in companies that create good jobs and benefit the environment.

**Asset Class:** Growth Equity

**Commitment:** \$2.5M closed in Q3 2024

## Child Care



**About:** Expands the supply of quality child care facilities in low-income communities while helping providers, primarily women and people of color, expand their businesses and build wealth.

**Asset Class:** Private Debt

**Commitment:** \$2M committed in Q2 2024



# OUR APPROACH TO GOVERNANCE AND RISK MANAGEMENT

The Fund has a tiered approach to fund governance and risk management which focuses on both impact and investment risk .

## Cash Management & Asset Allocation Models

## Impact Scorecard

	Impact First Fund	RuralWorks	RuralWorks's Investments
<b>Contribution</b>	<p><b>55% total points (6/11)</b></p> <p>The Fund scored well as a first-time fund experiencing fundraising difficulties, but lost points given SPFF is not part of an initial close nor on the larger side of SP.</p> <ul style="list-style-type: none"> <li>• First-time fund</li> <li>• Unique commitment to impact relative to other IBCs and peer organizations</li> <li>• Fund has had difficulties fundraising and has exceeded their fundraising timeline</li> <li>• SP is not part of the initial close</li> <li>• SP's capital has the same terms as other investors</li> </ul>	<p><b>100% total points (5/5)</b></p> <p>The Fund scored well across all categories, notably for providing flexible capital and significant technical assistance to investees.</p> <ul style="list-style-type: none"> <li>• Fund seeks to address unmet capital gaps for rural businesses which are underserved by traditional equity financing.</li> <li>• Fund makes use of flexible capital structures to provide the right capital for their investees.</li> <li>• Fund has a track record of catalyzing additional investment into rural businesses.</li> <li>• Fund provides significant technical assistance to investees (e.g., board representation, RHM support)</li> </ul>	<p><b>0% total points (0/1)</b></p> <p>The Fund did not receive points for investing in companies where advisors or policy were explicit priorities.</p> <ul style="list-style-type: none"> <li>• Policy / advisors are not explicit priorities for Fund's underlying investments</li> </ul>
<b>What</b>	<p><b>75% total points (12/16)</b></p> <p>The Fund scored well for its clear mission orientation, history of change and RHM processes, but lost points for not having an active DEI policy.</p> <ul style="list-style-type: none"> <li>• Fund has a clear mission to generate rural community wealth.</li> <li>• Fund pays living wages, provides health benefits, and provides time off.</li> <li>• Fund evaluates the environmental impact and ownership components of each investee.</li> <li>• Fund uses Tableau to manage and analyze impact data for portfolio companies.</li> <li>• One member of the management team has a history of supporting rural businesses in fundraising equity and serves on the board of another rural capital provider</li> <li>• Fund does not have a DEI policy</li> </ul>	<p><b>75% total points (9/12)</b></p> <p>The Fund scored well having a demonstrable track record of impact and thorough assessment of potential investments, but lost points for not explicitly targeting investors with a mission mandate.</p> <ul style="list-style-type: none"> <li>• Fund's first investments have demonstrable impact</li> <li>• Fund conducts impact diligence to assess potential investors long-term commitment to their respective rural community</li> <li>• Fund has a robust framework that informs investment decisions and assesses potential portfolio companies' track record, engagement with targeted communities, leadership and impact</li> <li>• Fund does not plan to invest in nonprofits, CDFIs, or CDFIs, or entities with a mission mandate.</li> </ul>	

## Impact First Fund's Advisory Council

- Comprised of leaders from the impact investing and traditional investment fields who provide strategic guidance and help the Fund team to stay aligned with best practices and **maximize our impact**

## Impact First Fund's Investment Committee

- A subset of Social Finance's Impact Investments senior leadership that is separate from the Fund team to ensure an **independent perspective in the investment approval process** – the Investment Committee requires a majority vote for approval

## Internal Risk Management Function

- The Fund team conducts **robust modeling and impact scoring** to ensure appropriate asset allocation and the alignment of each investment opportunity with the Fund's impact and financial goals

# OUR APPROACH TO EVALUATING INVESTMENT RISK

How does the Fund team think about managing investment risk?

## *In sourcing investments...*

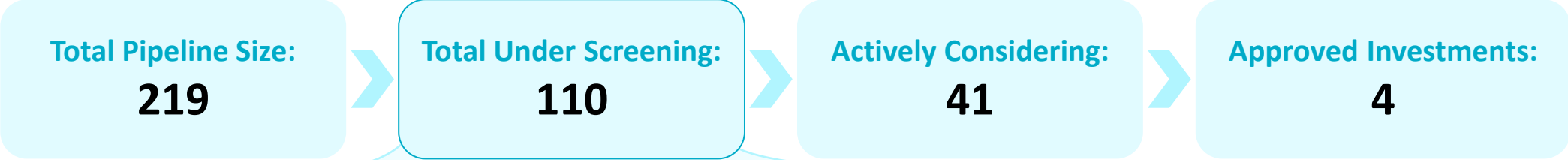
- **Domestic Focus:** we focus exclusively on U.S. markets, avoiding risks like foreign exchange, geopolitical, and exit risks
- **Asset Class Exposure:** we balance liquidity needs with diverse duration exposures across asset classes, from private credit to venture capital
- **Financial and Operational Sustainability:** we prioritize managers with sustainable business models capable of attracting institutional capital for long-term growth before starting due diligence

## *In conducting diligence on investments...*

- **Scrutinize Target Returns:** we perform sensitivity analyses to test the financial return assumptions of potential fund managers
- **Pursue Blended Finance Structures:** we assess and weigh subordinate capital in higher-risk investments
- **Conduct Extensive, Independent Referencing:** we conduct 10-15 references to evaluate the track record and expertise of key principals when a fund's strategy lacks a clear track record
- **Adhere to Strict Governance Protocols:** our Investment Committee approves all investment decisions, while the Advisory Council (AC) guides risk management and expands deal sourcing

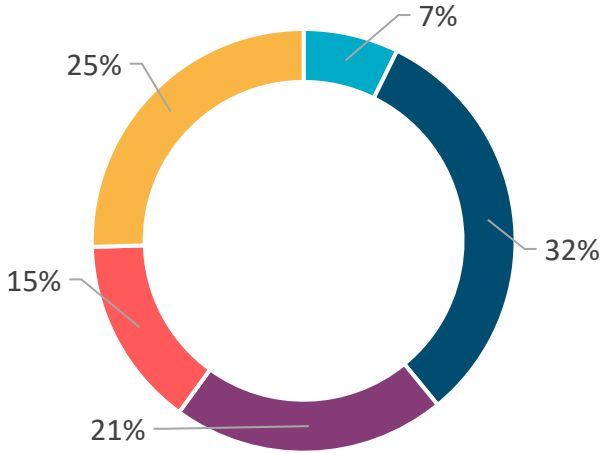


# FUND PIPELINE OVERVIEW (AS OF OCTOBER 2024)



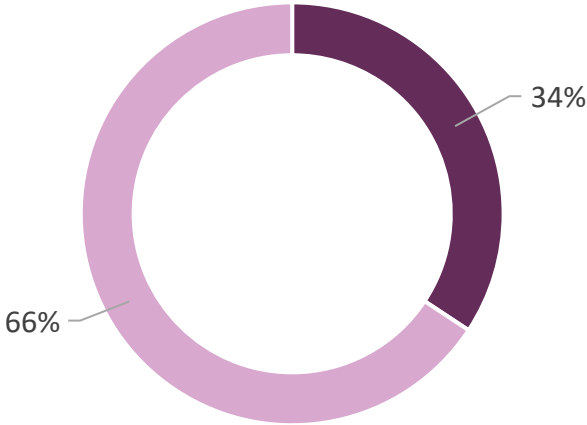
## Pipeline Snapshot

Asset Class



- Cash & Medium-Term
- Private Credit
- Private Realty & Real Assets
- Private Equity
- Venture Capital

Main Impact Focus



- Environmental
- Social

Issue Areas Represented

- Affordable Housing
- Climate Justice
- Childcare / Education
- Economic Mobility
- Regenerative Agriculture
- Small Business
- + More

**PORTFOLIO GUEST  
SPEAKER: LOUISA SCHIBLI**



RURALWORKS

# Q&A

For more information



*Scan here to book a 30  
minute meeting with Jess  
or visit*

<https://calendly.com/jbrooks-socialfinance>

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