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Philanthropy Impact

Inspiring Philanthropy and Investing for Impact

MAGAZINE

PHILANTHROPY AND IMPACT INVESTING

MODELS, TRENDS, AND CHALLENGES ACROSS THE SPECTRUM OF CAPITAL

THE FIRST ISSUE OF A TWO-PART SERIES

EDITORIAL: MAXIMISING IMPACT THROUGH INVESTING AND PHILANTHROPY

USING CUTTING-EDGE FINANCIAL PRODUCTS TO EMPOWER HANDS-ON PHILANTHROPY AND SUSTAINABLE INVESTMENT

THE POWER OF THE ADVISOR: MAKING SENSE OF VALUES-BASED DISCUSSIONS

SCALING TRUST-BASED PHILANTHROPY FOR IMPACT

CONTENTS

PHILANTHROPY IMPACT

Philanthropy Impact is a capacity building non-profit organisation at the intersection between philanthropy, social investment, ESG and impact investment. Our mission is to increase the flow of capital for good.

We are a membership network creating opportunities to increase and improve impact/ESG investing, social investment and philanthropy; as well as providing opportunities for professional advisors across the spectrum of capital to network with other advisors building relationships creating opportunities to work together to gain referrals and to achieve growth.

We achieve this by building the will and capacity of professional advisors (private client advisors, wealth management, private banking, tax and legal sectors) to support their (U)HNW private clients on their philanthropic and impact investment journey.

Our means for realising our vision includes thought leadership and sharing intelligence, events, CPD Certified CISI Endorsed training, 23 Impact, bespoke networking opportunities, campaigning, publications including a magazine, and resources for advisors and other stakeholders.

Our stakeholders also include philanthropists, impact investors, trusts and foundations, and charities and social enterprises.

Centre of Excellence
- Training for professional advisors: bespoke CPD certified and CISI endorsed training courses, providing philanthropy and impact investment advice to help them support their clients' social impact investment journey.
- Training for wealth advisors: bespoke CPD certified and CISI endorsed training for wealth advisors and other professional advisors with an interest in suitability issues and ESG investing.
- Training for major donor and corporate fundraisers: bespoke CPD self-certified training for high-value fundraisers working with (U) HNWI, to help them understand the role of their professional advisors and to strengthen professional relationships that will transform their fundraising.
- 23 Impact: The new platform to enable online networking opportunities.
- Events: a comprehensive programme of self-certified CPD events, including networking among professional advisors, philanthropists and social impact investors.

Publications and Research
- Developing our 'body of knowledge'
- How-to best practice guides
- Technical content and analysis
- Market research nd case studies
- Philanthropy Impact Magazine

Philanthropy Impact Public Affairs
- Advocacy: lobbying for policies and regulations that encourage philanthropic giving and impact investment
- Engagement with government and key policy stakeholders

Chief Executive and Editor: John Pepin
Co-Editors: Rachele Menditto, Director, Communications and Relationships and Morgan Axinn Cattai, Director, Membership and Development

Philanthropy Impact, 218 Strand, Room 12, London WC2R 1AT

Tel: +44 (0)20 7407 7879 / +44 (0)780 305 1674
www.philanthropy-impact.org

@PhilanImpact
linkedin.com/company/philanthropy-impact
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The purpose of the magazine is to share information about philanthropy and impact investment in a domestic and international context. We welcome articles and other forms of contribution, and we reserve the right to amend them.

Please contact the Editor at editor@philanthropy-impact.org

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Philanthropy Impact

Inspiring Philanthropy and Investing for Impact

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Philanthropy Impact offers guidance to support your clients through the challenges faced in their philanthropy and impact/ESG investment journey.

We offer a programme of training and educational events.

We support your team to ensure you are offering your clients a high quality service for philanthropy and impact/ESG investment advice to help them achieve their goals and ambitions.

TO ACCESS

As a Philanthropy Impact member, you will have access to an active network of professional advisors to (U)HNWI including private client advisors, wealth managers, private bankers, tax and legal advisors, as well as philanthropists, impact/ESG investors, and charities and trusts.

Benefits include free access to networking events both online and face to face and priority to present at events.

TO DEVELOP

Our extensive resource hub will give you the skills and knowledge to develop your client service offer, empowering you to have values based conversations with your clients and support them on their philanthropic and impact/ ESG investment journey.

Philanthropy Impact members automatically receive our online magazine subscription and are able to access information from many of our partners at a discounted rate.

TO ENGANGE

Philanthropy Impact members can actively engage in topic discussions and by providing content for our newsletter and contributing to our magazine.

As a member you will improve your firm's visibility in the philanthropy and impact/ESG investing space by being featured on our website and through various platforms.

We give you a space to share your best practice experience, innovations and learnings with others in the network.

OUR REACH

Our audience continues to grow daily. Current numbers are:

- **6,500+** active on our contact list
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Get in touch with the team today to learn more:

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"PHILANTHROPY, INVESTING, AND OVERSIGHT OF ANY OPERATING BUSINESSES HAVE TRADITIONALLY BEEN LED BY DIFFERENT FAMILY MEMBERS ACTING INDEPENDENTLY."

EDITORIAL

MAXIMISING IMPACT THROUGH INVESTING AND PHILANTHROPY

ISABELLE HAYHOE – WWW.HOME.BARCLAYS

A growing number of families are looking to new ways of using their wealth to positively impact the world. Historically philanthropy has been the main driver for these outcomes, but many are beginning to align their investments for this purpose, too.

According to the latest 'Investing for Global Impact' report, some 68% of private investors with an average of $730 million in assets feel philanthropy and impact investing should be used jointly to generate impact – and 58% said they sought to coordinate the aims and themes across both[1].

Philanthropy, investing, and oversight of any operating businesses have traditionally been led by different family members acting independently. Sometimes this is reflected within their charitable foundations too. Trustees overseeing endowments tend to see themselves as stewards of its capital, investing to maximise return of the endowment's investments, while other family members may focus on identifying and engaging with the charities they support.

These separations can provide a clear allocation of responsibilities, but they can also miss opportunities to maximise the positive impact of a family's wealth. Philanthropy can provide only one type of the capital needed for solutions to our complex and systemic environmental and societal issues. Many families are now recognising the role their investments can play to exacerbate, or improve, the causes being championed by their family philanthropy.

In theory, linking impact investing to philanthropy can generate benefits for a family and for society. In practice, it can be challenging to implement effectively, but there are some foundational principles that can simplify the process.

Firstly, it can be beneficial to establish early on a common set of family values and objectives to serve as a solid, shared foundation for subsequent efforts. Discussing and reflecting upon family values, priority issues or themes, capital allocations and family roles, and reviewing philanthropic aims in relation to existing investments, can provide the basis from which to start looking holistically at how family wealth is used for impact. This in turn can lead to decisions about whether, when and how to start making changes.

Family dynamics can also play a role in this process. Differences in risk tolerance, in views on the purpose of investments, and different intergenerational perspectives can all be a source of conflict.

While discussion can help overcome these differences, often actual experience can be more convincing. This can be accomplished by introducing small changes within existing, agreed structures. For example, some families begin by

[1] *'Investing for Global Impact Report 2022'*, Campden Wealth/GIST Initiatives/Barclays Private Bank

making impact investments using the grant-giving portfolio rather than their endowment funds. Others allocate a small portion of the investment portfolio for different purposes, reflecting different appetites to risk, impact and experimentation.

Introducing or trying to lead the discussion with your family or foundation about combining investing and giving can be challenging without experience or knowledge of these topics. Therefore, engaging external support can help to navigate both the technical and emotional dimensions, especially if compromise is needed.

Many individuals and families derive deep personal satisfaction from their giving, finding purpose and emotional fulfilment in the process. While active integration may not be feasible in all situations, ensuring alignment, rather than divergence, of efforts can be achievable. Through this, families can pioneer a new era of purpose-driven wealth, creating a legacy that transcends financial returns.

"MANY INDIVIDUALS AND FAMILIES DERIVE DEEP PERSONAL SATISFACTION FROM THEIR GIVING, FINDING PURPOSE AND EMOTIONAL FULFILMENT IN THE PROCESS."

ISABELLE HAYHOE - SENIOR PHILANTHROPY ADVISER AT BARCLAYS PRIVATE BANK

Isabelle has a decade of experience in strategic philanthropy and grant-making, having worked for Winton Group, Winton Philanthropies and The David & Claudia Harding Foundation, managing over £100m of philanthropic capital and administering their global giving across Europe, Asia and the United States. Over the years, she has also worked for operational charities in the medical research and education sectors.

She holds an MSc in Grant-Making, Philanthropy and Social Investment from Bayes Business School, a Diploma in Charity Management from The Chartered Governance Institute UK, and an MBA from Saïd Business School at University of Oxford.

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For further information register here
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CHANGING TIMES: Meet the Growing Client Demand for Philanthropy and Social Investment Advice

This course has been developed specifically for private client professional advisors

THE NEED FOR THIS TRAINING IS DRIVEN BY

Benefits to Advisors and Firms – Professional advisory firms that are customer centric offering their clients support on their philanthropic journey had 6x the median assets of those who do not offer this support, 3x organic growth, 1.3x new money, and higher trust levels.

Client Demand – The world is changing and with it the needs and expectations of wealth holders. They are seeking to align their wealth with their values. They expect support from their advisors with their purpose driven investment activities including on their philanthropic journey.

To be Customer Centric – It is essential for professional advisors to be equipped to talk to their clients about their values, motivations, ambitions and goals as part of the development of a sustainable investment and philanthropic strategy.

WHY ATTEND THIS COURSE

In this live, interactive, tutor led training course, we take you through how you can:

- **Understand the commercial opportunity** for providing support to clients on their donor journey
- Learn **best practice approaches** to improve meeting clients' wishes to align their wealth with their values, resulting in becoming the first call for clients
- Learn about the **23 distinct services** a HNW client needs on their philanthropic journey and develop ways to **incorporate client support** into your advisory practice
- **Reach new clients**, enhance retention rates, leveraging philanthropy support services reinforcing a values based purpose driven advisory business leading to commercial growth

Rating by (U)HNW clients of professional advisors for their philanthropy advice:

5.9/10

This course could help advisors achieve a rating of:

10/10

BOOK NOW TO OPEN THE DOOR TO FINDING WAYS TO MEET CLIENT NEEDS AND EXPECTATIONS

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LEARN WITH PHILANTHROPY IMPACT

As an organisation at the intersection between ESG and impact investment, social investment and philanthropy our mission is to increase the flow of capital for good by enabling private clients and their families to match their purpose-driven wealth strategies with their values, capturing their sustainable, social and ESG/Impact investment and philanthropy preferences across the spectrum of capital.

This course is intended for professional advisors such as: private client advisors, wealth management, private banking, financial advisors, tax and legal sectors with an interest in values-based,client-centric solutions for HNW clients

"ALONG WITH A PERSONALISED APPROACH FROM WEALTH MANAGERS, THE MODERN PHILANTHROPIST ALSO NEEDS ACCESS TO FINANCIAL PRODUCTS, STRUCTURES AND VEHICLES THAT CAN OFFER…"

USING CUTTING-EDGE FINANCIAL PRODUCTS TO EMPOWER HANDS-ON PHILANTHROPY AND SUSTAINABLE INVESTMENT

STEPHANIE GLOVER – WWW.GUERNSEYFINANCE.COM

Modern philanthropists are, more than ever, eager to be closely involved in the process of conducting philanthropy.

From the initial offering up of capital all the way through to assessing the impact it has in real, tangible terms, findings indicate that the philanthropists of today want to be more involved in the process from start to finish. 'Cheque-book philanthropy', in which an individual simply makes a donation to a cause or charity that they have little influence over, appears to be on a downward trend.

Along with a personalised approach from wealth managers, the modern philanthropist also needs access to financial products, structures and vehicles that can offer this level of influence.

A variety of these are available, an example of which is the Guernsey Foundation, an innovative philanthropic financing mechanism which was introduced in Guernsey in 2013 in response to a growing benevolent demand. The foundation is a hybrid between a company and a trust. It is usually established with a particular purpose or mission, often including charitable and philanthropic giving. It has neither members nor shareholders and has a legal personality, enabling it to act and exercise powers and be bound by obligations in the same way as a corporate trustee.

The Guernsey Foundation has risen in popularity among philanthropists, in part because it enables the individual to maintain a great deal of control over how their wealth is funneled into a cause or a third-party charitable organisation.

Other characteristics of an effective foundation include low registration fees, simple and quick establishment and a structure that is robust but flexible to enable philanthropic giving.

High standards of governance and transparency are also key advantages in this context, something of seemingly ever-growing importance to the modern philanthropist.

When domiciled in jurisdictions such as Guernsey, these structures drive a considerable proportion of philanthropic activity into the UK. According to a recent report by independent research house Frontier Economics, this philanthropic and other investment funding creates significant social value for the UK, whether that is through funding medical research, developing social housing or investing to protect biodiversity.

And when further considering the needs of the emerging generation of wealth holders, ESG and impact investing also seem to be pertinent.

A PAM Insight report titled 'Managing Changing Families' found that primary wealth management considerations for under 35s include a greater focus on sustainable and impact investments, with 86% of survey respondents citing being a 'good global citizen' as important (35%) or very important (51%).

The world's first regulated green investment fund product, the Guernsey Green Fund regime, enhances investor access to the sustainable investment space by providing a trusted and transparent product that contributes to the internationally agreed objectives of mitigating environmental damage and climate change.

As of Q3 2023, there were 12 'Green Funds' authorised or registered with Guernsey's regulator, the Guernsey Financial Services Commission, with a collective gross asset value of £5.5

billion. The Guernsey Green Fund designation endorses schemes through which investments into various green initiatives can be made, and the funds must be established with the objectives of:

- Seeking a return for investors
- Spreading risk
- Mitigating environmental damage

The same Frontier Economics report concluded that Guernsey's finance sector provides over £3 billion social value to UK. Aligned with UK policy, Guernsey funds are supporting small and rapidly growing businesses in the UK as well as investing in infrastructure such as green power generation assets and facilitating improvements to the housing stock.

One example of an accredited Guernsey Green Fund can be found in the NextEnergy Solar Fund (NESF), which was awarded the Green Fund designation in February 2020. NESF invests primarily in solar power plants in the UK (~85% of its asset base). As of December 2022, NESF owned 91 UK operating solar assets which collectively accounted for 830 MW of Solar PV assets.

These investments are directly contributing to the development of a resilient, low-cost, low carbon power sector, giving investors peace of mind that their capital is genuinely creating an impact, aligned with international green objectives.

With the changing needs of modern wealth holders adapting constantly, wealth managers must stay cognisant of new innovative products on offer, ensuring they are well-prepared to meet the individual philanthropic and impact goals of their HNW clients.

Innovative financial products, such as the Guernsey Foundation, have gained popularity due to their ability to provide a structured yet flexible approach to philanthropy, allowing individuals to maintain control over the direction of their wealth. Use of innovative financial products such as foundations and regulated sustainable fund regimes have empowered investors and philanthropists to have greater access to hands-on philanthropy and sustainable investment, with international finance centres such as Guernsey offering a platform for the conscientious investor to drive positive change and leave a lasting legacy.

"INNOVATIVE FINANCIAL PRODUCTS, SUCH AS THE GUERNSEY FOUNDATION, HAVE GAINED POPULARITY DUE TO THEIR ABILITY TO PROVIDE A STRUCTURED YET FLEXIBLE APPROACH TO PHILANTHROPY..."

STEPHANIE GLOVER – STRATEGY AND SUSTAINABLE FINANCE DIRECTOR, GUERNSEY FINANCE

Stephanie facilitates the jurisdictional strategy for the promotion of financial services across key sectors, including sustainable finance.

She liaises with key stakeholders, including government, the financial services regulator, industry and the Sustainable Finance Guernsey Council to promote and connect Guernsey as a leading international and sustainable finance centre. Stephanie is Guernsey's representative at the United Nations Financial Centres for Sustainability, and also sits on the TheCityUK Next Generation Leadership Council.

Stephanie previously worked in advisory at KPMG in Guernsey and has a BA (hons) in philosophy, religion and ethics from King's College London. Stephanie has a Sustainable Finance Certificate with the University of Cambridge and is a youth ambassador for the not-for-profit Sustainability & You.

THE POWER OF THE ADVISOR: MAKING SENSE OF VALUES-BASED DISCUSSIONS

CHARLIE FRENCH – WWW.ETCHO.IO

Private wealth holders view themselves as having a responsibility to use their wealth to address key global challenges.

Research by Global Impact Solutions Today (GIST) and Barclays Private Bank found that 77% of Ultra High Net Worth Individuals (UHNWI)[1] feel a sense of responsibility to make the world a better place.

The UN's Sustainable Development Goals (SDGs) set out a 'blueprint for a better future'. Currently, the annual funding gap to reach the UN's SDGs by 2030 is vast, standing at $4 trillion[2]. Additionally, if we're to limit temperature rises in line with the 2015 Paris Agreement, we will need to increase climate finance globally to $9tn a year by 2030 (from under $1.3tn in 2022), as reported in the FT recently following research from the Climate Policy Initiative[3]. These aren't just 'funding gaps', they may be better described as chasms. It's clear we have a challenge on our hands to mobilise finance at rapid pace and scale if we are to satisfy the responsibility felt by the individuals wanting to leave the planet in a better place.

Of course, governments and institutions have a monumental role to play, but we need to mobilise private wealth to help close these gaps. UHNWI overwhelmingly concur, with the GIST report finding that 84% feel their private capital will be essential in addressing climate change[1]. When you consider that global wealth stands at $454.4 trillion, with nearly 80,000 adults having over $100m, wealth projected to rise 38% and 85 million more millionaires expected by 2027[4], if we can provide the tools to motivate private wealth, those funding chasms and the opportunity for a brighter future starts to feel reachable.

So, how can we start unlocking this wealth and help align it to the wishes of private clients who want to help solve our planetary challenges?

As the gatekeepers of client capital, private wealth advisors are uniquely placed in holding the keys to unlocking capital towards a more sustainable future. To put it in sporting terms, an invigorated and engaged advisor could become the ''marquee signing'' that our planet so desperately needs.

This all starts with values-based discussions, and to unlock this potential, advisors must get comfortable with holding these discussions with their clients to understand truly what makes them tick and the roots of their desires. Naturally, relationship management has always been a critical element of wealth management, and there aren't many ways to build better connections with people than to understand their values.

Despite the evidence suggesting investors want values-based discussions, they are not currently high on the agenda, with traditional conversations surrounding performance and fees taking centre stage, and a massive 82% of clients currently having to initiate conversations around sustainability themselves[5]. By ignoring these conversations, advisors are missing out on deep connections with their clients, and clients are missing out on opportunities to satisfy their desires to invest their capital in line with their values. Of course, fees and performance will always be important parts of conversations, but perhaps it makes sense to include values-based discussions with clients. What better way to build relationships with clients than expanding conversations away from just performance and risk. There is really no bad scenario for finding out more about your client's values.

The desire for values-based discussions in wealth management is particularly pertinent amongst the next generation of investors, who are overwhelmingly interested in impact, and

“OF COURSE, FEES AND PERFORMANCE WILL ALWAYS BE IMPORTANT PARTS OF CONVERSATIONS, BUT PERHAPS IT MAKES SENSE TO INCLUDE VALUES-BASED DISCUSSIONS WITH CLIENTS.”

59% of millennials would invest more if their portfolios better reflected their values[6]. The next-gen of investors are not only expecting sustainability, but they’re also looking for a move away from the one-size-fits-all approach synonymous with many offerings today, with many citing personalisation as the key criterion when it comes to selecting a wealth manager. It is, therefore, impossible to offer any layer of personalisation within sustainability without first understanding which areas the client is interested in.

The ‘Great generational Wealth transfer’ is set to see $68tn move between generations over the coming years[7], yet it would be a mistake to believe this is something that can be kicked down the road until the next generation is in charge of the wealth. Not least because nearly 70% of those currently in charge of their family’s wealth are embracing sustainability today[1], but also 66% of the next generation is planning on firing their parents ‘ current advisor[8], so it makes sense for firms to start implementing strategies to engage the next generation of clients before it’s too late.

It is not only client-side demand that is driving a shift to values-based discussions in wealth management. Regulations such as the FCA’s SDR, Consumer Duty, MiFID II and Fiduciary Duty all now hold a deeper emphasis on sustainability, values, and understanding your client’s unique interests. For example, how can an advisor be fulfilling their fiduciary duty, acting in the best interests of a client, if they don’t even understand their client’s interests in the first place? So, it is not just planetary or ‘’feel-good’’ reasons for opening values-based discussions with clients; connecting with clients with values-based discussions now even keeps the regulatory headaches at bay!

All in all, it is clear that to build relationships, satisfy regulators and play your part in the biggest challenge facing our planet, values-based discussions should be front and centre of wealth management conversations. It just makes sense.

CHARLIE FRENCH – CO-FOUNDER, ETCHO

Charlie French is the co-founder of Etcho. He founded Etcho, alongside Liall Medina, with a mission to seamlessly connect wealth with values. He started his career in International Development, launching projects in Ghana, where Etcho’s name originates (pronunciation for ‘Tomorrow’ in Ewe). Most recently, Charlie worked at a UN agency, mobilising capital for projects that advanced the Sustainable Development Goals. Etcho’s technology aims to facilitate the mobilisation of capital towards the SDGs at scale by working with Wealth management firms and helping them align portfolios to their client’s unique values.

[1] *77% of Ultra High Net Worth Individuals (UHNWI) feel a sense of responsibility to make the world a better place // 84% feel their private capital will be essential in addressing climate change // 70% of those currently in charge of their family’s wealth are embracing sustainability today.* https://www.campdenwealth.com/press/majority-global-uhnw-sustainable-investors-feel-responsibility-invest-make-world-better-place
[2] *The annual funding gap to reach the UN’s SDGs by 2030 is vast, standing at $4 trillion.* https://sdg.iisd.org/commentary/guest-articles/bridging-the-sdg-financing-gap-through-first-time-fund-managers/
[3] *If we’re to limit temperature rises in line with the 2015 Paris Agreement, we will need to increase climate finance globally to $9tn a year by 2030 (from under $1.3tn in 2022).* https://www.ft.com/content/6873d96e-3e40-45c6-9d84-8ce27b7b23e1
[4] *When you consider that global wealth stands at $454.4 trillion, with nearly 80,000 adults having over $100m, wealth projected to rise 38% and 85 million more millionaires expected by 2027.* https://www.ubs.com/global/en/family-office-uhnw/reports/global-wealth-report-2023.html
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SCALING TRUST-BASED PHILANTHROPY FOR IMPACT

SARAH GAMMOH – WWW.CHARIZONE.CO.UK

Philanthropy is rooted in a simple yet profound principle: the love of humanity. However, it involves tackling complex social and environmental issues.

This is achieved through partnerships between donors and charities that share common goals and values. In addition, by recognising our place within a larger ecosystem community, we can collectively make a significant difference in the world.

Over the past three years, my conversations within the philanthropic landscape have shown a nuanced relationship between donors and charities. In fact, most of these discussions consistently revolved around two recurring themes:

- The power dynamics between charities and funders
- The challenges funders face in scaling their efforts

"WHEN IT COMES TO UNDERSTANDING SOCIAL IMPACT AND CHANGE, COMMUNICATION IS SIMPLY THE MOST EFFECTIVE WAY OF UNDERSTANDING HOW CHARITIES ARE ACHIEVING THEIR SOCIAL MISSION."

"We need to stop equating money and people with money as being the ones with the ability to solve problems. We have to reimagine our relationship with money and its power in a way that places an obligation and responsibility on those with resources to fulfil a vision of the love and interconnectedness of humanity, and go back to what philanthropy is about – the love of humanity."

Nicolette Naylor of The Ford Foundation – Philanthropy as the practice of love, courage, and justice

USING TRUST-BASED PHILANTHROPY TO REDEFINE THE DONOR-CHARITY RELATIONSHIP

At its core, trust-based philanthropy is the silver bullet here. It advocates for a fairer distribution of power, recognising that charities are best positioned to understand and address the missions they set out to achieve, along with managing their own operations and meeting the needs of their communities. It also encourages philanthropists to engage in genuine conversations with charities, fostering mutual respect, understanding, and building lasting connections.

But trust is earned, not given. And undertaking due diligence, forming connections and building lasting relationships is a time and energy-consuming process.

If we want to see trust-based philanthropy scale globally, what are the components necessary for its ability to grow, across both sides of the giving landscape? And what steps can we take to make sure it is the norm?

While trust is both foundational and personal to all healthy relationships, two components are crucial for effective trust-based philanthropic partnership: information-gathering and communication.

Information-gathering:
One way that trust-based philanthropy manifests itself is through giving unrestricted funding and supporting core operations expenditure. This requires grasping the organisation's mission, vision, and unique challenges. It also includes examining governance structures, financial stability, and operational efficiency. Independent analysis serves as a fundamental step towards progressing to effective communication.

Communication:
When it comes to understanding social impact and change, communication is simply the most effective way of understanding how charities are achieving their social mission. Having conversations that go beyond mere information is key in uncovering insights behind the data. With open and healthy communication channels, both funders and charities are able to better explain and understand decisions and share learning. By creating a safe and trusting environment, there is more openness to share both successes and failures. These insights then help identify opportunities and risks, giving funders a clearer picture when evaluating their decisions.

HOW WE CAN USE STANDARDS TO SCALE: INFORMATION-GATHERING

Standards are a necessary expanding philanthropic and social impact initiatives, particularly when it comes to information gathering. Through standards we can have a common language, define best practices, and uphold quality and consistency. In regards to a charity's performance, here are the three aspects to consider:

- **Impact:** This is about the positive change that is created by the charity. It is important for charities to demonstrate their effectiveness in achieving their long-term charitable mission.
- **Governance:** It is important to consider how the charity is led by trustees and managed by the leadership team to execute plans while promoting a safe, open, and transparent environment for everyone involved.
- **Finances:** The financial health of a charity is necessary for delivering its charitable objectives. A well-run charity needs to demonstrate sound financial management, maintain the sustainability of its operations and use its resources efficiency of their use of resources.

HOW WE CAN USE STANDARDS TO SCALE: COMMUNICATION

While building relationships is inherently personal, effective communication can benefit from guidelines and standards, such as

- **Begin with humility:** Acknowledge the limits of your own knowledge and expertise. Approach each interaction with a readiness to listen and learn from the expertise of others.
- **Promote mutual respect:** Treat every individual, whether a grantee, partner, or community member, with dignity and respect. Recognise the value of their perspectives and experiences.
- **Focus on genuine connections:** Invest time and effort in building authentic relationships to work together effectively towards common goals. These connections enable funders and charities to navigate challenges, resolve conflicts and celebrate successes together, creating a sense of belonging and unity.

HOW DOES THIS LOOK IN PRACTICE...

While standards certainly add value to philanthropic and social impact efforts, they should not be seen as the sole answer for making philanthropic decisions. The one-size-fits-all approach may not adequately capture the diversity of organisations involved. At the same time, standards can unintentionally favour larger charities, worsening inequalities in our sector.

So, how can we make standards work for us without burdening the very organisations we aim to support?

Philanthropy advisors can help in scaling impact while maintaining a personal touch. They offer donors an intimate understanding of impact and sharing stories. It is these deeper insights that empower informed decisions and nurture meaningful collaborations. This offers donors and charities access to shared learning and action that is not always present elsewhere in the sector. In collaborative giving, funders with shared interest come together and direct their combined resources to make bigger bets, invest in bolder solutions and connect with the charities that have the expertise to make lasting change.

SARAH GAMMOH – FOUNDER/CEO CHARIZONE

Sarah is the founder and CEO of Charizone, an innovative data and tech platform dedicated to assisting funders in navigating the vast landscape of charities in the UK. We support funders, philanthropists and wealth/philanthropic advisors, by providing personalised charity searches, aggregating comprehensive data, and delivering insightful analysis through our Charity Performance Framework.

Sarah brings her entrepreneurial passion and extensive private sector experience to the charity sector. After spending over a decade in banking world working for the likes of RBS and ABN Amro bank, Sarah was transitioned into roles in Impact Finance, FinTech, ESG and corporate governance and charities. She is a constant volunteer and sits on the board of directors of the UK Sustainable Investment and Finance Association (UKSIF).

THE FUTURE VISION...

I am optimistic about three positive outcomes in the philanthropic sector. Firstly, charities find it easier to secure unrestricted, multi-year grants, enabling them to allocate funds flexibly and streamline administrative processes. Secondly, there is a strengthened commitment to building mutual trust and respect between funders and charities, achieved through transparent reporting and healthy communication. Lastly, promoting collaboration within the philanthropic sector is reflected in actively seeking partnerships and engaging with networks of like-minded funders and philanthropists.

PHILANTHROPY IS JUST ONE PART OF THE SOLUTION

OLIVIA JENKINS – PRIVATEBANK.JPMORGAN.COM

Clients are increasingly focused on leaving their mark on the world.

Considerations around legacy have gone from projects that are a product of their wealth to a very core intention, and central to their investment philosophy. In fact, now at J.P. Morgan Private Bank, our new goals-based planning framework for portfolios breaks our client's goals into four key areas – one of them is legacy. With a spotlight on impact, we're spending a lot of time considering questions like 'what can I do and how can I achieve change?'.

It is estimated that there is a vast $4 trillion funding gap for developing countries to meet the sustainable development goals[1]. We think that philanthropy plays a critical role in creating change but it cannot plug the gap alone.

By recognising philanthropy's unique characteristics and leaning into them, as well as considering shifts both large and small in the wider impact sector, we can use philanthropy to its best advantage. It's also a way to help tackle the question we frequently hear from aspiring philanthropists in our network; 'what role can philanthropy play?'

First, let's be clear on why philanthropy can be so effective – and what characteristics it has that make it so useful in the capital mix required to meet our global goals;

- **It can be nimble.** When the opportunity is right, philanthropy can be fast acting, reacting immediately to need.
- **It can be flexible.** Philanthropy can be used to fund a wide variety of interventions that sit holistically around issues. But it also can be used to fund organisations in an unrestricted and flexible manner, supporting creativity in designing solutions as well as rebalancing power and decision making.
- **It can be risk tolerant and patient.** Tackling intractable issues takes time, and philanthropy can be used to support long-term thinking within organisations.

Second, reflecting on some of the macro shifts that are occurring globally, and their influence on giving is important. We are in the middle of a significant wealth transfer – and 74% of millennials would consider themselves to be a philanthropist, compared with 35% of baby boomers[2]. How this next generation are giving is different. Innovation is central to their focus.

It is also an exciting moment for women in philanthropy as we're seeing a rise in women in philanthropic leadership roles and increasingly women are becoming major donors. A common trend we see is that women place an emphasis on developing relationships and being involved with their giving; they are more likely to embrace a broad definition of philanthropy. This doesn't mean just donations – this is about giving time, talent, networks, and voice to the issues they care about. Lastly, we see a stronger desire amongst our women clients at J.P. Morgan Private Bank to collaborate – bringing together expertise and funding across a number of different fields and geographies to accelerate change.

Whilst aiming to give into perpetuity remains the norm, more than ever, philanthropists and their families are willing to consider operating giving vehicles for a limited life, giving away more philanthropic funding today. Whilst pre-1990 only a small fraction of established foundations considered a shift to a time-limited model, there is an upward trend when looking at organisations established in the 2000s and 2010s[3]. These philanthropists are spurred onto take action now, in their lifetimes and where they see great need.

REASONS TO BE CHEERFUL?

Mission-driven funders and their partner organisations are elevating their impact by acknowledging the giving landscape shifts alongside the powerful and unique attributes philanthropy has that we have set out above. Increasingly we work with clients at J.P. Morgan Private Bank who take an 'all assets for impact' approach – deploying across the capital spectrum in different ways to align with their values, outcomes and goals. Our clients are working with non-profit and for-profit partners alike, supporting innovators, problem solvers and game changers – seeing a convergence of business and philanthropic practices towards a common goal.

When we look to the future, and the at times seemingly insurmountable funding gap to meet the sustainable development goals, we should always be aware of ways in which we can use philanthropy to its highest power – as flexible, nimble and risk tolerant funding that can be used to catalyse other forms of funding that together can create long run, systemic change. The focus our clients have on legacy and impact can be actualised with the right toolkit.

OLIVIA JENKINS – HEAD OF PHILANTHROPY, J.P. MORGAN PRIVATE BANK

Olivia Jenkins is the Head of The Philanthropy Centre for J.P. Morgan Private Bank in Europe and the Middle East. Serving as an advisor to J.P. Morgan's private clients on their philanthropy, Olivia provides advice on focus, strategy and governance as well as ongoing opportunities for peer-to-peer learning and connections with likeminded philanthropists.

Olivia is passionate about the philanthropy ecosystem, believing strongly in encouraging collaboration to ensure that as a society we demand investment in underprivileged communities. Prior to J.P Morgan she worked for Sentebale, an HIV/AIDs charity founded by the Duke of Sussex where she was integral in defining the expansion strategy of the organisation – including geographic growth in Southern Africa and a renewed focus on women and girls.

Olivia is also a trustee of AfriKids UK, a charity focussed on keeping children in northern Ghana happy, healthy, safe and in school and holds a BA in Economics with a focus on Development Economics from Durham University.

[1] https://news.un.org/en/story/2023/07/1138352
[2] Fidelity Charitable The Future of Philanthropy
[3] *Global Trends and Strategic Time Horizons in Philanthropy 2022*, Rockefeller Philanthropy Advisors, https://www.rockpa.org/wp-content/uploads/2022/07/Time-Horizons-2022-1.pdf?secureweb=POWERPNT

"IT IS NOT UNLIKE AN ENDOTHERMIC REACTION IN CHEMISTRY, WHERE THE PROCESS ONLY CONTINUES AS LONG AS IT RECEIVES A STEADY INFLUX OF HEAT ENERGY."

FROM GIVING TO GROWING: THE EXOTHERMIC APPROACH TO PHILANTHROPIC INVESTMENT

BJOERN WOLF – LENDORSE.COM

Engaging in philanthropy often feels like pouring resources into a pit with no bottom. While each contribution does help, it invariably calls for additional support the following year to maintain momentum.

This pattern can be seen in many initiatives, where the nature of their operation - be it food banks requiring ongoing donations to function, homeless shelters with perpetual overheads, or scholarships requiring constant renewal for new students - creates a cycle of continuous need. Though these efforts are beneficial, they have an inexhaustible, Sisyphean quality, where the task is never truly completed but requires continuous effort to sustain.

It is not unlike an endothermic reaction in chemistry, where the process only continues as long as it receives a steady influx of heat energy. The moment the supply of energy ceases, the reaction abruptly halts.

What could the opposite of this look like? Let us consider an exothermic, or sustainable philanthropy approach. In an exothermic reaction, two substances need some starting energy to get the reaction going, but once this initial energy has been added, these substances keep reacting on their own. Instead of needing continuous energy to be added in order to keep the reaction going, it is self-sustaining and even releases significantly more energy than was required to kick it off initially.

Education financing is a good example to see a practical application of this. Classical scholarships are exothermic: as soon as the funding stops, the education process is halted - not a financially sustainable approach.

How do we transition to sustainability, or to stretch the metaphor, to an exothermic model? By capturing some of the returns from educational investments and funnelling these back into the funding pool for future students, this can be turned into a sustainable philanthropy. People who benefit from receiving education funding are contractually obliged to a fraction of their income after graduation for a period of time. This money gets invested in a new generation of people in need, forming an evergreen income share agreement.

Consider the case of Saniya[1], an exceptional student from Kyrgyzstan with a bachelor's degree in biochemical engineering, who was accepted for a Master's program at the Technical University of Munich—one of Germany's top institutions. Unfortunately, her family was unable to support her financially, state scholarships were off-limits to non-EU students, and European banks required a credit history she hadn't established. Education in Europe is relatively cheap, however: With just €11,000 Saniya can pay both tuition and living expenses in Germany for a year. Saniya secured the needed funds through an evergreen income share agreement, initially funded by a philanthropist. In exchange for this financial support, she committed to repaying 10% of her income for four years following her graduation.

With this financial support, Saniya successfully completed her degree at TU Munich and embarked on her career in Germany, securing a position at a pharmaceutical company with an

[1] Not their real name

annual salary of EUR 60,000. In line with her income share agreement, she repaid a total of EUR 24,000, contributing EUR 6,000 annually over four years.

Her repayments flow back into the funding pool, enabling the support of over two new students facing similar challenges. Of course, even after she stops repaying, the benefits of her new education remain, and she keeps working in her new career. She dedicates a substantial part of her income to support her family through remittances. After several years of gaining valuable experience in Germany's pharmaceutical sector, she returns to Kyrgyzstan. There, she shares the cutting-edge knowledge and best practices she acquired, contributing to the development of her home country's industry.

The initial philanthropist only seeded €11,000 one time, allowed Saniya to completely change her own life and the reality of her community, but also triggered a chain reaction. Saniya's success allowed more than two additional students to study, and their repayments in turn allowed many more students to study. Similar to an exothermic reaction, where a modest initial input of energy catalyses a self-sustaining process, the initial financial contribution in Saniya's case started a cycle of ongoing benefits. Opting for a conventional scholarship would have provided Saniya with the same education; however, the broader impact would have ceased with her, unlike the extended ripple effect created by the income share agreement. If the effect is large enough (in this example the growth factor for each generation is ca. 2.2x), it is even possible to pay back some money for a for-profit social impact investor, as long as the returning money is larger than 1x.

The concept of income share agreements is not new. Countries like Australia, the UK or Chile have various income-dependent lending schemes sharing some of the aspects, and there are private providers of income share agreement, proving the viability of the model.

Lendorse is specifically applying this approach to students from developing and emerging countries, an often-overlooked group by both state and private funders. Enabling talented students to study abroad has multiple direct benefits. It addresses several SDGs, primarily 04 Quality Education, but also 05 Gender Equality by ensuring the participation of Women, and indirectly 01 Reducing Poverty. Other side effects are the contribution against labour shortage in the European Union, and the effect of students like Sanyia serving as an inspirational beacon, demonstrating to communities in their home countries the transformative power of education.

By prioritising financial sustainability in the exothermic sense, we ensure that each investment continues to yield benefits long after the initial contribution. Looking ahead, we believe in the emergence of many applications across various sectors that adopt this approach to financial sustainability.

Our commitment lies in championing sustainable education financing, with the hope of setting a precedent for these future philanthropic endeavours. Through this, we aim to contribute to a landscape where philanthropy is not just about the immediate impact, but about creating enduring, self-sustaining change. ■

BJOERN CHRISTIAN WOLF – CO-FOUNDER/CEO, LENDORSE

Bjoern, Co-founder & CEO of Lendorse, has been with Lendorse since 2022. At Lendorse, Bjoern pioneers sustainable education financing, ensuring talented individuals from underserved regions can access quality education. He believes that everyone deserves the chance to fulfil their potential, no matter where they were born.

Prior to starting Lendorse, Bjoern was working for McKinsey & Company and later as COO of Knuspr, a German high-growth startup. He was educated at the London School of Economics and the University of St. Gallen and lives in Munich.

TRAINING COURSE

Philanthropy Impact
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This course has been developed specifically for high value major donor fundraisers and senior leaders who manage fundraising functions

TRANSFORM YOUR FUNDRAISING: Bridging the gap between the fundraising and professional advice communities

Our research reveals that ultra high net worth individuals give 17 times more when supported by their professional advisors on their donor journey.

And yet a gap exists between the fundraising and professional advice communities, with both parties suffering from a lack of information and knowledge about how the other operates.

Our highly interactive training session is designed to give you the knowledge and skills to strengthen your relationships with professional advisors, such as wealth managers, financial advisors, tax advisors and lawyers. In turn, this will help them take their clients on rewarding donor journeys.

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- *Discover* how to make the fundraising sector more innovative and collaborative
- *Understand* the types of advice and services needed on a philanthropic journey

WHY ATTEND THIS COURSE?

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- Improve your *fundraising* results, we add value to existing processes
- Learn how working with professional advisors can
- *transform* fundraising by changing the traditional view of donors and how you can *collaborate* to support them
- Find out what philanthropists are looking for when working with advisors
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- Receive *exclusive insights* from guest speakers about current industry dynamics and best practice
- Receive self-certified *CPD points*
- Receive an *extensive* handbook

Example of donations from UHNWI without professional advice: **£19,000**

Example of donations from UHNWI with professional advice: **£335,000**

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LEARN WITH PHILANTHROPY IMPACT

Philanthropy Impact is a UK charity, focused on inspiring philanthropy and impact investing. Our mission: To increase the flow of capital for good by enabling private clients and their families to match their purpose driven wealth strategies with their values, capturing their sustainable, social and impact investment and philanthropy preferences across the spectrum of capital.

"EMBEDDING PHILANTHROPY WITHIN THE FAMILY OFFICE CAN HELP COORDINATE PHILANTHROPIC ACTIVITIES AND SUPPORT CONTINUITY, REGULATORY ADHERENCE, FAMILY ENGAGEMENT, AND ALIGNMENT."

FAMILY OFFICES ON THE IMPACT FRONT LINE

CHRISTOPH COURTH – PICTET.COM

Family offices have long acted as managers, stewards, and confidants to the wealthiest, playing a trusted role in how they run their assets, their businesses, and their lives. Today that role is changing. With a younger generation beginning to take the lead, family offices are becoming increasingly prominent in guiding families' use of capital, both investment and philanthropic, for social and environmental impact.

Family offices now number around 17,000 worldwide, collectively controlling over $10 trillion in assets[1]. For some, these discreet entities have often had a reputation as self-serving vehicles set up simply to steward and grow wealth. But in a world where investor priorities are changing, family offices are becoming pivotal in managing how the world's "impact" capital is deployed. In addition, the global value of philanthropic capital is now estimated to be more than $2.5 trn[2], with over $1 trn in impact investing capital[3]. And with 73 per cent of family offices now managing philanthropic efforts[4], these structures are driving families' social and environmental aspirations.

"The younger generation is demanding greater professionalisation from family offices."

Philanthropy has seen significant change since the days of Rockefeller and Carnegie. Grants and donations to the arts, culture and poverty relief – often with a religious underpinning – were once the traditional tenets of philanthropy. Today, younger generations are exploring a multitude of causes including climate change, biodiversity loss and gender equality. With this comes a range of approaches and tools, from blended finance to impact investing and venture philanthropy. Moreover, growing numbers of younger investors see philanthropic giving and impact investing as priorities over long-term preservation of wealth.

This new generation is more aware than ever of society's global challenges, and more connected to the issues and lives of others. There is also a widespread feeling that traditional approaches to solving the world's ills have failed. Operating in this new environment, and with multiple options at their fingertips, the younger generation is demanding greater professionalisation from family offices when it comes to their social and environmental impact. In addition to this, the newest generation is growing up in an increasingly transparent world, where the philanthropic actions and inactions of the wealthiest are under constant scrutiny. Accountability brings a new determination to get it right.

Embedding philanthropy within the family office can help coordinate philanthropic activities and support continuity, regulatory adherence, family engagement, and alignment. A structured, impact-driven approach can give measurable purpose to the use of a family's wealth. It also offers younger members the chance to discover the positive power of that wealth, helping affirm identities and find alignment with the values of the family. For the youngest, it can provide opportunities to contribute directly to their family legacy from an early age.

It's no secret that a tech-savvy, globally-active, risk-friendly generation is taking the reins of the world's wealth. There has long been a steady trend towards strategic and collaborative

[1] *2021 Family Office Real Estate Investment Study*, Family Office Real Estate Institute 2022
[2] *Philanthropy and the Global Economy*, v2.0, Citi Bank 2022
[3] *Sizing the Impact Investing Market 2022*, GIIN
[4] "*Shifting Horizons: Insights Into How Family Offices Are Responding to Rapid Economic and Social Change*", BNY Mellon, February 2022

"IT'S NO SECRET THAT A TECH-SAVVY, GLOBALLY-ACTIVE, RISK-FRIENDLY GENERATION IS TAKING THE REINS OF THE WORLD'S WEALTH."

philanthropy, relinquishing traditional benefactor/ beneficiary styles of giving. Cohorts of this new generation of wealth owners are more focused than their predecessors on the impact of their giving, wanting to understand how their investments are applied, and increasingly allowing their business and charity work to overlap.

"Younger investors see philanthropic giving and impact investing as priorities over long-term preservation of wealth."

With this generational shift, family offices are bringing much-needed cohesion to the ways families allocate philanthropic, investment, business, and social capital. In doing so, they are helping to drive ever greater professionalisation of the philanthropic and impact worlds, and acting as an increasingly important factor in how families pass down values, as well as wealth.

CHRISTOPH COURTH - GLOBAL HEAD OF PHILANTHROPY SERVICES, PICTET

Christoph has been a philanthropic advisor to wealthy families for the past 8 years, in Zurich, Los Angeles and now out of Geneva where he is the Global Head of Philanthropy Services at the Swiss Wealth Manager, Pictet.

Prior to becoming a philanthropy advisor, Christoph spent a decade working in the non-profit sector in East Africa, the Middle East, the Caribbean and the UK for organizations such as UNICEF and The Prince's Charities.

He has authored a number of philanthropy specific pieces such as chapters in the publications Principals and Practice of Impact Investing[i] and the African Philanthropy Toolkit[ii], is cited in the book Giving is Good[iii] for you, is the principal author of the Fundraising Guide: A Resource for Philanthropists[iv] and the Philanthropy Impact Paper series for Pictet.

This article was previously published in Pictet Insight Magazine.

[i] Routledge; 2016 [ii] African Philanthropy Forum; 2016 [iii] Biteback; 2013 [iv] UBS Switzerland AG

"OUR INVESTMENT STRATEGY IS UNDERPINNED BY OUR ADOPTION OF THE 'KINGDOM IMPACT BULL'S EYE APPROACH[4], WHICH REFLECTS OUR CHRISTIAN VALUES SUCH AS LOVE, EQUALITY, AND CREATION CARE."

ETHICAL IMPLICATIONS OF SOCIAL IMPACT INITIATIVES

FINYIN INUAYO – WWW.STEWARDSHIP.ORG.UK

Since the coining of the term 'ESG' in 2004 in a study entitled 'Who Cares Wins'[1], there has been a rapid rise in mainstream conversations on the ethics and impacts of investing.

This phenomenon has impacted the philanthropy space, which historically focused on addressing the challenges in our society through grant making alone. In a bid to avoid accusations of 'greenwashing', there is now a growing focus in philanthropy on incorporating ESG factors and impact investing principles into investment decisions and strategy. The challenge is complex and there are many pitfalls to avoid.

"If the last 50 years of philanthropy were defined by grant making budgets, the next 50 must be about directing the other 95% of our assets toward justice."

Darren Walker – President of the Ford Foundation.

How can philanthropists avoid the negative externalities of traditional investments negating the positive outcome of grant-making? How should we engage with ethics in social impact investing? Is it possible to maximise both profit and purpose?

PROFIT WITH PURPOSE – MAXIMISATION OR OPTIMISATION

A key area of debate within the social impact investing space is the potential trade-off between financial return and positive impact. The Global Impact Investing Network[2] defines impact investments as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

Philanthropists are therefore challenged to consider not only the financial implications of their investments but also the social and environmental impacts, both direct and indirect. Frameworks designed to help navigate the balance can be helpful. For example, The Impact Management Project's investment classifications[3] outline an ABC guide for investors to align their investments with their values: 'Act to reduce harm', 'Benefit stakeholders' and 'Contribute to solutions'. However, there is often a trade-off between the two sides of the profit/purpose equation that can make the task more complex.

Moreover, philanthropists face the additional task of weighing up if the impact of their investments negates or enhances the positive impact of grant making. The ideal of course is to marry the two together to have a holistic view of the impact of their philanthropic capital.

Each philanthropist will have a personal view on the prioritisation of social impact versus financial metrics. However, it may not be possible to maximise both. At Donor Advised Fund (DAF) Stewardship, we instead seek to maximise the positive social impact of our investments alongside an optimisation of financial return. Our investment strategy is underpinned by our adoption of the 'Kingdom Impact Bull's Eye Approach[4], which reflects our Christian values such as love, equality, and creation care. This prohibits investments

[1] *Who Cares Wins:* https://www.unepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_2004.pdf
[2] *The Global Impact Investing Network:* https://thegiin.org/impact-investing/
[3] *The Impact Management Project's investment classifications:* https://impactmanagementplatform.org/investment-classifications/
[4] *Kingdom Impact Bull's Eye Approach:* https://www.stewardship.org.uk/blogs/new-investment-strategy
[5] *The Christian Aid, Malonda Project:* https://www.christianaid.org.uk/sites/default/files/2022-09/malonda-bi-annual-june-jan-2022-v2.0.pdf

in certain activities (for example: pornography and tar sands) and, at the centre, intentionally focuses on mission-aligned investments, such as affordable housing.

We also offer our philanthropists the option of allocating some or all of their DAF account balance to three externally managed investment portfolios that incorporate an ESG integrated investment approach and apply ethical investment restrictions.

IMPACT INVESTING INTERNATIONALLY – ECONOMIC EMPOWERMENT

When making impact investments internationally, there should be a consideration of how we invest, given the abundance and competitiveness of investment capital in developed markets compared to emerging markets, especially given potential charitable tax relief for donors in developed markets which 'synthetically' reduces the cost of capital. Therefore, it is important to think about the macro-impact of financing terms on the long-term economic prosperity of the region – for instance, affordable micro-financing may enable local entrepreneurs in emerging markets to grow their businesses while benefitting from equity value creation, which will contribute to the long-term economic prosperity of the region. However, equity financing (or high interest financing) of the same project could unintentionally lead to an extraction of equity value from emerging markets to developed countries, further impoverishing these markets on a relative basis. A considered approach to impact investment structuring can ensure investments not only have a positive direct impact but also reduce inequality by boosting the long-term economic growth of the country through private consumption and local wealth creation.

Additionally, it can be a challenge to not project a Westernised model of society onto emerging markets. Philanthropists must make every effort to ensure impact initiatives are responsive to the local needs, as well as social impact initiatives being community or co-led. This ensures that social impact initiatives are effective in solving the unique problems using local expertise and empowering locals and communities to become economically independent long-term.

A good example of a considered ethics is the Christian Aid, Malonda Project[5]. The project aims to support wealth creation for pigeon pea farmers in Malawi. In addition to affordable financing provision, the project focuses on developing local infrastructure to support inventory, providing training on alternative uses of the crop, and supporting the establishment of new international markets relationships. Focusing on these 'ancillary initiatives' not only supports the repayment profile of interest-free micro-loans but also leads to greater economic empowerment for local farmers.

OUTCOMES VS PURPOSE – FINDING THE BALANCE

There is value in both the outcome-focused approach, (for example: the number of people lifted from relative poverty) and the purpose-focused approach (for example: a project aiming to alleviate relative poverty) of social impact initiatives. The impact investing definition encapsulates both via references to measurable impact (that is, outcome) and intentionality (that is, purpose). When engaging in social impact initiatives, the ideal for philanthropists is to aim for both positive social impact and being able to quantitatively evidence the impact generated.

FINYIN INUAYO – INVESTMENT MANAGER

Finyin Inuayo is Investment Manager at Stewardship, which stewards over £200m in charitable assets including social impact investments. Before that he worked in private credit, providing debt funding to private equity firms and management teams to support the growth and acquisition of businesses.

If we focus only on outcomes, there is a risk of supporting social impact initiatives masked as virtuous while existing solely for financial return. For example, a pharmaceutical company may only have positive societal impact as a byproduct of drug discovery rather than an intentional ambition. Alternatively, if we only focus on purpose, there is a risk of social impact initiatives not being effective in solving societal challenges.

It can be challenging, if not impossible, to truly discern the intention of an initiative, while outcomes are more black-and-white. Ideally, philanthropists would take a blended approach in their consideration of outcomes and purpose. The process demands careful due diligence, with a helpful starting point being to review organisations' impact reports and mission statements.

There are several ethical implications for philanthropists to consider when engaging in social impact initiatives, and many of these are more qualitative than quantitative in nature. There are no definitive solutions or answers, however, it is imperative that philanthropists aim for their ethics to inform their grant-making and investing decisions.

"INVESTORS STILL WANT TO ALLOCATE TO PRIVATE FUNDS AND THERE ARE A NUMBER OF NOTICEABLY STRONGER FUNDAMENTALS AS WE MOVE INTO 2024..."

KEY FUND TRENDS AND TAKEAWAYS FROM THE 22ND ANNUAL INTERNATIONAL CONFERENCE ON PRIVATE INVESTMENT FUNDS

ALEX LAST AND BEN ROBINS – WWW.MOURANT.COM

In March 2024, members of the Mourant global Investment Funds team attended the International Bar Association's 22nd Annual International Conference on Private Investment Funds in London.

The conference is a long-established and prominent annual event which attracts influential players from across the global funds sector to meet and discuss the latest trends and issues and provides the opportunity for global funds lawyers to share experiences and hear from leading fund sponsors and their GCs.

In this update, we've summarised some of the key themes and discussion points covered throughout the two-day event. We'll also be following up in due course with more in-depth articles building on some of these themes and reflecting on our market predictions for the coming year and beyond, as well as discussing these in our Private Capital Perspectives podcast series.

FUNDRAISING ENVIRONMENT

With exits constrained by the elevated interest rates and a restricted financing environment, it's believed private funds are currently holding around 28,000 unsold portfolio companies with a value of around $3 trillion. As a result, liquidity is constrained and fundraising experienced a downturn across all private fund asset classes in 2023, with private capital managers currently seeking two and a half times what was raised in the last 12 months.

The general consensus among the speakers and during the plenary voting session was that, although the environment remains tough in 2024, 2025 is likely to see a bounce-back to the market activity seen in previous years, with a significant turnaround in fundraising.

In the short term it is not all doom and gloom, however. Positive fundraising activity around credit and secondaries funds, signifiers of the demand for liquidity, was noted. Investors still want to allocate to private funds and there are a number of noticeably stronger fundamentals as we move into 2024, particularly falling interest rates.

Conference speakers agreed that investors remain confident of the long-term prospects of private markets. This stems from the perception that private markets possess the adaptability to address short-term hurdles, including geopolitical instability (outlined below) and subdued global growth. Indeed, a recent global survey from Adams Street reports that 88 per cent of institutional investors believe private capital will outperform public markets this year.

At the lower end of the market, smaller and mid-sized GPs are tending to re-focus on traditional distressed and turn-around asset strategies, with fee discounts more common to engage potential limited partners.

For first time managers, there is some evidence of spin-outs and emerging managers looking to offer differentiated/niche strategies but it's a challenging period in which to compete for investor capital. Emerging managers represent about five per cent of annual capital raised but are seeking 13 per cent of available capital.

Some are looking to use SMAs as a means of fundraising, deploying their strategy and building track record. In some cases, it's proving harder for people to demonstrate past success with new regulatory disclosure rules and the increasing regulatory burden in some jurisdictions can dissuade some new entrants. One panellist identified the

"THE MARKET IS ALSO SEEING MORE FAMILY OFFICE INVESTMENT, OFTEN FOCUSSING ON CLIMATE AND DIVERSITY-RELATED FUNDS..."

Channel Islands as potentially useful, lightly regulated, domiciles for emerging managers looking to manage those regulatory costs.

HEADWINDS AFFECTING THE FUNDS SECTOR

The conference speakers touched on geopolitical tensions affecting the funds space, particularly concerning the ongoing conflict in Ukraine, compounded by declining populations and the growth of populism; a combination which continues to add global instability. Macroeconomic risk was identified as the key current risk for fund managers, ahead of performance, succession planning or regulatory and legal risk.

Regulatory pressures do continue to intensify though, as the US Securities and Exchange Commission (SEC) adopts a stricter stance, staffing-up to increase the frequency of regulatory exams and enforcement actions in the place of dialogue and introducing new Private Fund Adviser Rules which are inhibiting new fund launches and represent a significant move away from previous reliance on investor disclosure. This reflects the SEC's requirement for greater accountability from the private capital industry, which is now deemed too substantial to enjoy lighter-touch regulation.

These more strained relations will require repair through enhanced communications with the regulator and investors, offering better explanations of how the industry works and its historic benefits, convening GP and LP dialogues and where appropriate, enhancing regulations to protect retail investors. But there won't be an immediate 'quick fix'. The situation is unlikely to be materially affected by any changes in the US administration driven by this year's general election.

Additionally, the institutional investor base is shrinking, highlighting the necessity for newer pools of capital to sustain the industry.

RETAILISATION

Against that backdrop there was agreement from speakers that UHNW, HNWI and family office investors remain a hugely underrepresented market.

Individuals with assets of up to $5 million combined wealth stand at approximately $100 trillion globally, providing private equity firms with the opportunity to structure products to attract such wealthy individual investors.

In terms of recent trends, bank platforms are increasingly being used in the US to feed HNWI investors into private capital funds and the LTIF fund product is creating a new ability to create equivalent feeders for HNWIs in the EU. However, deploying these platforms does lead to additional lead-in times and, generally speaking, they are currently the preserve of larger managers given their relative cost and complexity.

The market is also seeing more family office investment, often focussing on climate and diversity-related funds, in many cases because family offices are less motivated by pure financial return than traditional institutions.

Embracing these developments was generally encouraged, with an acknowledgement of a need for caution given the likely increase in regulatory intrusion this trend will bring.

ALEX LAST - JOINT GLOBAL PRACTICE LEADER, MOURANT GLOBAL

Alex is joint Global Practice Leader of the Mourant global Investment Funds team and Managing Partner of the firm's London office. His practice focuses on all aspects of fund formation and he frequently advises many of the world's leading private fund sponsors on the structuring and establishment of investment funds, secondary transactions and related deals. He also has wide-ranging experience on regulatory, corporate and fund finance matters.

BEN ROBINS - JOINT GLOBAL PRACTICE LEADER, MOURANT GLOBAL

Ben is joint Global Practice Leader of the Mourant global Investment Funds team. He has extensive experience in investment funds, real estate investment and structured finance, and focuses on the formation, operation and financing of private equity, venture capital and debt funds, as well as real estate funds and investment structures. Ben regularly advises fund promoters, managers, investors, directors and service providers across a variety of asset classes.

> "THERE HAS BEEN A NOTICEABLE SHIFT INTO UNITRANCHE AND FIRST LIEN FINANCING AND NOT JUST MEZZANINE LENDING."

Some speakers identified the added risks and responsibilities attached to on-boarding HNWI investors, which pose a potential threat as well as an opportunity, given the on-going struggle with the US regulator.

CO-INVESTMENTS

An area of continued strong activity given the difficult fundraising environment is co-investment, with roughly 50 per cent of institutional investors seeking co-invest and the scale of co-investment becoming enormously greater.

Smaller managers are starting to offer co-invest too, to secure investor tickets in tougher fundraising conditions, but it is harder for them to absorb the no fee/ no carry arrangements larger managers can accommodate as part of their investor relationship-building activity. Some managers are using co-investment vehicles and SMAs as part of a more customised approach to fund-raising and meeting diverse investor requirements.

CONTINUATION FUNDS

Continuation funds have historically served a useful purpose in managing tail-end assets and facilitating winding-up processes, but their uses have evolved in recent years, given their ability in some contexts to enhance distributed profits to investors (DPI).

In seeking investor buy-in to their use, it will generally be an easier sell where a particular asset warrants a longer holding period and/or where the fund is approaching its maturity. It will be a harder sell if used purely as a fund-raising tool or as a means of re-mixing good and poor performing assets to mask the performance of the bad. LPAC consultation on conflicts and fair value opinions are key elements too.

While the ILPA guidance in this area can assist in navigating investor interactions, a one-size-fits-all approach won't always work, and speakers generally agreed it was to avoid regulating continuation fund arrangements in fund LPAs given the circumstances driving their creation will vary and it is hard to reach a consensus amongst limited partners. Better to preserve the negotiation capital for other topics – the LPAC will need to be consulted in due course anyway.

When employed alongside primary fundraising efforts, continuation funds can prove a useful tool (as a 'stapled secondary' fund), although the SEC has expressed something of an aversion to stapled secondaries, which may eventually give rise to additional regulation in this area.

NAV FACILITIES

NAV facilities (credit facilities backed by the fund's investment portfolio) remain a valuable tool, notwithstanding higher interest rates, given current levels of dry powder. But discussions at the event outlined that there is a mixed perception amongst LPs, with some in favour and some very much against.

Those against may fear their de-prioritisation upon distribution of divestment proceeds or question the fairness of carry being paid out on distributions funded by a NAV facility. But if a clear framework for permitted usage of a NAV facility is agreed and set out in the LPA (eg reserving its deployment for funding new investments or supporting distressed portfolio companies) and is clearly disclosed to investors, LPs are more likely to accept them.

CREDIT FUNDS

In a vibrant credit funds panel, the speakers confirmed that credit funds are booming across all strategies (eg leveraged, CLOs, real asset financing) since the interest rate rise in 2022 and as banks have pulled back from direct lending.

There has been a noticeable shift into unitranche and first lien financing and not just mezzanine lending. Preferred equity stakes have also come into syndicated packages as banks have stepped back and interest rates have increased.

A general theme was the growing complexity and customisation of the credit fund industry. Amongst new trends is the desired creation of evergreen credit funds, something of a holy grail. In some respects this seems illogical – an illiquid asset class seeking redemption mechanisms similar to hedge funds - but it is happening. Panellists were seeing multiple series structures with different sleeves (some levered, some unlevered), variable fee mechanics and opt-out or opt-in rights when a series comes to an end of it fixed life.

As regards LPA terms, the relative complexity of tailored credit fund waterfalls (versus private equity waterfalls) was discussed, noting that the presence of varied assets throwing out regular distributions lends itself to customisation. Waterfalls also have to evolve to allow team incentive in evergreen scenarios.

As for the future, some panellists felt we had probably seen the interest rate high water-mark but were worried about the impact of hitting a refinancing wall before too long and the corporate stress that such a dislocation could create. Others were more optimistic, flagging the increased equity supporting portfolio companies these days, circa 60 per cent whereas it used to be around 40 per cent.

TRANSFORMATIVE TRANSACTIONS - GP STAKES AND M&A

One panel focussed on the continuing uptick in transformative GP transactions, including sales of GP interests and GP mergers, querying whether the recent boom would continue or whether we are starting to see a saturated market. The panel consisted of some involved in acquiring stakes and some who've been part of an acquired or merged team.

It was confirmed that the market continues to be active, particularly for stakes in lower-mid-market firms (ie $500 million to $2 billion AuM GPs), with new acquisitive entrants in addition to the six or seven 'usual suspects'. Some buyers are strategic, others purely financial.

Whilst acquisition terms are settling, every deal is based on its particular facts and circumstances and what the seller needs and the buyer can provide, so it's not a commoditised product yet and there remains lots of scope for creativity.

By way of alternative fundraising methods for GPs, preferred equity and debt financing deals are also happening, with sponsors and advisors more comfortable with those structures now and the pool of industry finance players increasing.

Exit avenues for GP stakes are varied, including roll-ups into an IPO (with US listings considered easier than London) and some three to five year secondary deals. But the acquisition drivers can often be strategic and/or cultural and not purely financial – such as a need to build scale or institutionalise or to solve team succession issues and refine governance.

In terms of carrying through transactions smoothly, panellists stressed the importance of careful management of team communications throughout; of investor communications as investor approval is sought post announcement; of planning integration in advance of completion (so as to streamline the business, remove operational complexity and achieve cultural alignment across the team); and of making sure financial counterparties are carefully managed.

HOW ADVANCES IN TECHNOLOGY ARE SHAPING THE MARKET

The design of fund terms, including precedents and term sheets, along with the drafting of LPAs and side letters, often starting with precedents or initial drafts, are crucial aspects of fund management.

Sub-documents are increasingly being generated through logic-based e-platforms to streamline the process. Meanwhile, most-favoured nation (MFN) clauses in side letters are a standard consideration, and compliance with fund obligations is increasingly managed through databases and monitoring systems.

In an AI-focussed session at the event, the speaker cautioned that such advancements come with inherent risks, including data privacy concerns, intellectual property risks, and potential misuse of client data for AI training, raising information security and hallucination risks, and EU regulations may also further complicate matters.

Despite these technological advancements, it remains essential to maintain a failsafe approach, ensuring there is human oversight at the helm. The utilisation of AI in designing fund terms presents both security risks in input and reliability risks in output, emphasising the need for cautious implementation and continuous monitoring.

PRIVATE FUND ADVISER RULES

Another panel at the conference addressed the newly-adopted US Private Fund Adviser Rules. Panellists discussed how GPs are preparing for the compliance dates, the anticipated and ongoing impact on the industry and favoured approaches to the interpretive questions posed by the rules.

The ability to challenge adoption by regulator is built into the new Rules, which came into law August 2023. In September of the same year, a coalition of six US trade bodies representing hedge

"THE FOCUS TO DATE HAS BEEN MORE ON IDENTIFYING ESG DATA FROM PORTFOLIO COMPANIES, SUCH AS THEIR EMISSIONS AND DIVERSITY QUOTAS."

funds and private markets firms filed a suit against the SEC, alleging that the rules around disclosure are unlawful and harmful for the industry.

The conference featured a session led by Eugene Scalia, who is leading the case against the SEC. In this, he explained he is expecting a positive decision from the Fifth Circuit (on an expedited basis) in May 2024, and that the hopeful outcome will be that there is an absence of statutory authority for the SEC to adopt the rules.

The SEC recently clarified that in most cases the Private Fund Adviser Rules would not apply to advisers outside the US in respect of non-US private funds. As a result, at Mourant we have seen an uptick in clients exploring the mechanisms of migrating US fund vehicles to the Cayman Islands.

We have published a range of guides covering how an entity incorporated, formed, established or registered outside of the Cayman Islands may apply to be registered by way of continuation as an exempted company or a limited liability company in the Cayman Islands, or re-registered as an exempted limited partnership in the Cayman Islands (as applicable).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

In a panel session examining the legislative initiatives, investor preferences, and market dynamics that are shaping the role of ESG in the structuring, distribution, and operation of private investment funds, the speakers assessed the effectiveness of current strategies in managing conflicting intranational and international ESG obligations, along with the risk of a lasting market segmentation between pro- and anti-ESG investors.

ESG in the investment funds space has significantly evolved in recent years. There has been notable divergence between the European versus US approach, with some US states being proactively anti-ESG.

However, Europe too has experienced its own form of anti-ESG backlash on basis that it impacts competitiveness in global market, making Europe a less attractive place to do business. Particular support for this view has been from those heavily involved in agricultural and industrial sectors that have perhaps been hardest hit by the ESG agenda.

Europe has been at the forefront of ESG regulation, but European regulators have also acknowledged that sustainability-related disclosure in the financial services sector (SFDR) has led to some unintended consequences, such as an increase in green washing.

The funds sector has also seen an increase in the use of Delaware vehicles that are not subject to regulation rather than Luxembourg vehicles, or being used in parallel to a Luxembourg vehicle, with Delaware vehicle perhaps taking up investment opportunities that the Luxembourg vehicle can't.
Within the last six months, various US states have passed laws that prohibit investing with managers that boycott fossil fuels, for example. This presents a challenge to the idea of a unified sustainability regime in the US.

So where is this movement headed? The consensus at the event, and one we echo at Mourant, is that ESG is not going to go away. There is the possibility that we could get to the point where it is renamed in certain jurisdictions, and we may also get to point where firms have to take a position, even if that means that managers will need to leave money on the table in order to proceed.

The focus to date has been more on identifying ESG data from portfolio companies, such as their emissions and diversity quotas. The focus is now shifting towards questions on what the manager is actually doing to improve the position, and how they are engaging with ESG themes and showing progress between fund vintages (not just applying same risk mitigation approaches).

"INVESTMENTS BY PRIVATE ASSET MANAGERS INTO IMPACT AREAS SUCH AS RENEWABLE ENERGY CONTRIBUTE TO LONGER-TERM SUSTAINABILITY OF THE RENEWABLE ENERGY INDUSTRY AS A WHOLE."

PHILANTHROPY, IMPACT INVESTMENT, AND THE VITAL ROLE OF PRIVATE CAPITAL IN SHAPING A SUSTAINABLE FUTURE

MICHAEL BETLEY AND YEGOR LANOVENKO – WWW.OCORIAN.COM

Was January 2024 the moment that impact investing entered the mainstream? Two things make us pose the question: the first being that January's World Economic Forum (WEF) took pains to spotlight progress for impact-related initiatives.[1] The second being that the Global Impact Investment Network (GIIN) estimated in the same month that the impact investing market is now worth over $1tn.[2]

Appearances on WEF stages and a global market size topping $1tn do not generally constitute specialist considerations but indicate mainstream acceptance and cultural relevance in the financial services community. Impact investing has undergone its elevation alongside another growth area: private capital.

PwC has reported that Global private capital dry powder has achieved a compound annual growth rate (CAGR) of 11% over the past 10 years, ending 2023 with a record US$3.9tn. Logic dictates that there would be some synergy between these respective booms, and indeed that's what we have seen in recent times.

PRIVATE CAPITAL'S CRUCIAL ROLE

One investor recently said that we're witnessing the greatest reallocation of capital since the beginning of the industrial revolution, and understandably those who deploy their capital are seeking returns – even when they're opting to pursue impact investing.

Private capital – which includes funds and investments from individuals, corporations, and foundations – plays a pivotal role in driving positive social and environmental change. In particular, it is a critical contributor to the aim of transition to net zero emissions. Policymakers across the globe recognise that private investment into the energy industry will need to supply the majority of the capital required to achieve climate mitigation goals, especially in emerging and developing economies.

Private capital can help scale up renewable energy projects and infrastructure more rapidly than government funding because private investors have access to large pools of capital from an increasingly diversified investor base comprising of institutional investors, pension schemes, insurance companies, and ultra-high net worth individuals. As a result, capital can be efficiently mobilised to support the construction of renewable energy facilities, such as solar farms and wind parks, as well as the development of supportive infrastructure like energy storage and electric vehicle charging stations.

Investments by private asset managers into impact areas such as renewable energy contribute to longer-term sustainability of the renewable energy industry as a whole. Ensuring focus on overall capital investment return, private investors can lead to the development of sustainable business models for renewable energy projects. By investing in projects that can become economically viable without additional subsidies, private investors can help create a more resilient energy system that is less dependent on government support.

[1] https://impact-investor.com/davos-provides-showcase-for-impact-investment-progress/
[2] https://impact-investor.com/guide-2024-taking-impact-investing-to-the-next-stage/

> *"SFDR REGULATION MEANS THAT INVESTORS ARE ASKING FOR DATA ON THEIR ENTIRE PORTFOLIOS, AND THIS IS WHERE WE ARE TRYING TO CLOSE THE GAP FOR OUR CLIENTS."*

In one illustration of this, we have recently supported an innovative fund that aims to address biodiversity loss and climate change through investing in science-based solutions, with a view to bring together universities, the research community, corporate R&D and NGOs to viably commercialise scientific solutions to have long-term impact on this mission. The fund has received support from not only a broad range of private investors but also government funding agencies, showing the convening power of private capital for impact.

We're seeing private capital come together in a variety of other ways. Alongside family offices and private clients, we're increasingly dealing with investment clubs and co-investors – like-minded groups of investors who are coming together, pooling capital and making a difference.

This is especially pronounced in impact investing, where families, individuals and institutional investors with strong impact missions are exhibiting greater desire to understand what the impact investing circle looks like. They're taking time to identify the opportunities that are in their universe and represent their values and wishes, they can then astutely decide where capital is deployed.

We're working with a client who is developing some land for tourism purposes, but is investing in the local community at the same time. They've invested in infrastructure in the local area, and horticulture so that locals can produce the goods that are used by the hotels. Training and jobs will also be provided locally and will contribute to economic diversification in the region. This is private capital working to create a local endeavour with impact.

A STRATEGIC RESPONSE TO ESG DEMANDS

Regulation is adapting to reflect the rise in private capital in impacting investing. The European Union's (EU) sustainable finance disclosure regulation (SFDR) is a transformative and permanent gamechanger for investors designed to facilitate the contribution of private capital towards funding an EU-wide transition to a net zero economy.

Institutional investors, particularly pension funds, are pushing for comprehensive principal adverse impact (PAI) statements. The role of institutional investors in driving sustainable finance practices cannot be overstated, and their influence is likely to help shape the industry's direction. The opportunity is there for private capital to demand the same.

The regulations have in some cases been left quite intentionally open and are evolving, with input from the industry and how they are working with their institutional and private clients. Leveraging the regulatory framework as a foundation for responsible investment strategies demonstrates a commitment to compliance and the broader goals of environmental and social impact. Existentially, the threat is not going away.

Industry is aware of this. Recent Ocorian research shows that almost all (98%) alternative asset managers agree that it will become harder to launch new funds unless they have a strong ESG focus.

SFDR regulation means that investors are asking for data on their entire portfolios, and this is where we are trying to close the gap for our clients. SFDR has increased investors' focus on sustainability risk and the resulting laws mandate commercial asset managers to document how they integrate ESG factors and risks into their investment decisions.

Ocorian's recent partnership with Treety, a leading ESG SaaS solution, is a good example of the private sector's commitment to meeting the growing demand for proactively identifying areas of impact, quantifying that across the investment portfolio and producing ESG reporting.

Across asset classes, the need for regular data collection on the impact of portfolio companies on ESG measures, detailed benchmark analysis, and tailored fund and investor-level reporting can quickly become operationally complex and manual but underscore the appetite for not just understanding the measure of impact but using that data to improve portfolio companies' performance in these areas.

Increasingly clients are asking us for a comprehensive suite of tools, including customised dashboard and analytics, sustainability risk assessment mapping, SFDR annex and disclosure templates, and ESG/impact data collection and approval flows. That's why we've established a partnership, and we expect the rest of the industry to have to step up its own reporting game. ■

MICHAEL BETLEY – GLOBAL HEAD OF PRIVATE CLIENTS, OCORIAN

Michael joined Ocorian in November 2021 as Managing Director of the newly acquired Trust Corporation International, and in September 2022, Michael was appointed Global Head of Private Clients, tasked with strengthening Ocorian's focus on growth.

Prior to Ocorian's acquisition of Trust Corporation International, Michael was CEO of the firm that he established in 2003 and had previously worked in London and Guernsey as a private client partner of the law firm Wedlake Bell.

He has acted as an executive and non-executive director of regulated businesses and is a Chartered Director (awarded by the Institute of Directors). He assists wealthy families and financial institutions in developing wealth management and estate planning strategies. Whilst in private practice, Michael was noted as having a leading local presence in the Legal 500.

YEGOR LANOVENKO – CO-HEAD OF FUND SERVICES, OCORIAN

Yegor is Co-Head of Fund Services, together with Ben Hill.

Based in London, Yegor focuses on global service delivery, operating model and continuous development of the Fund Services product offering across fund administration, accounting, investor services, AIFM and Depositary.
Prior to this role, Yegor was the Global Head of Strategy Execution at Ocorian.

Yegor has extensive experience in both public and private markets and technology innovation with a background in client facing, product management and strategy roles in custody, fund and securities services in J.P. Morgan and Deutsche Bank.

"THE MOST REWARDING INVESTMENT POLICY IS ONE THAT IS ALIGNED WITH PERSONAL CORE VALUES. THE WAY THAT WE CREATE WEALTH, AND THE WAY WE GIVE IT BACK TO THE COMMUNITY, SHOULD BE ALIGNED."

DO YOUR INVESTMENTS MIRROR YOUR CORE VALUES? IT'S TIME TO MAKE A CHANGE TO YOUR PORTFOLIO – IMPLICATIONS FOR FAMILY OFFICES

MELISSA SESANA GRAJALES – WWW.UNICEF.ORG/PARTNERSHIPS/NEXT-GENERATION

Investing and philanthropy should not be treated as black and white concepts – the gradients between them are very important. As wealth holders, it is our responsibility to help reinforce solutions that are financially appetizing to more traditional investors and to find agile ways to fill in gaps where classic capitalism cannot.

As a next gen, female impact investor, it was always clear to me that I would need to forge my own path, and that the traditional family office was not always the best vehicle to achieve my aims. One thing I discovered early on was a problem in the way most family offices are set up – with separate investing and philanthropic arms. I realized we needed to explore the middle portion of the capital continuum, rather than separate entities working from the poles. The thought of blending the concepts of investing and philanthropy was exciting to me. Why couldn't we do both at the same time? I was positive that we could.

When I introduced the idea to my family, I had to prove the concept of impact investing and the idea of successfully structuring capital in different buckets with different risk/return profiles aimed at achieving sustainability goals. I had to demonstrate how this could complement – and even magnify – philanthropic giving, and vice versa. They wanted to see that interplay in action.

The first step I took was working the SDGs into our family's Investment Policy Statement. It was important to discuss our family values and then identify the issues we wanted to focus on. The SDGs helped guide our decision-making – reducing inequalities, alleviating poverty, improving access to education, clean energy and clean water all came up as areas we decided to target.

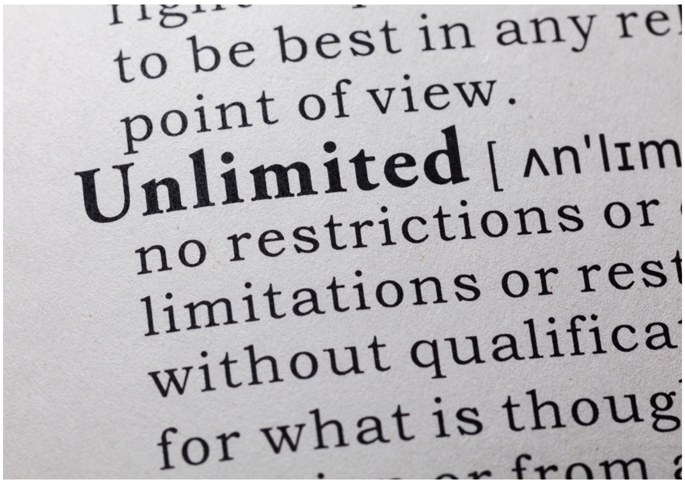
THE ART OF BLENDING IMPACT INVESTING AND PHILANTHROPY

The most rewarding investment policy is one that is aligned with personal core values. The way that we create wealth, and the way we give it back to the community, should be aligned. Combining the dedication and passion of the non-profit sector (which usually knows how to make the best use of few resources) and the think-big mentality of a private financial institution, can be a very powerful combination in helping to solve systemic failures, or where social policies are falling short.

I co-founded Asiri in my home country of Colombia, with the mission of creating a positive social and environmental impact. We made an early investment in modular, solar-powered classrooms for children living in areas that were not connected to the national electricity grid. The success of Asiri helped me to prove the concept of impact investing to my family office, and from there we were able to scale up and engage in more projects of this nature.

I also became a founding member of UNICEF NextGen Global Principals. NextGen is a network of young philanthropists dedicated to making a difference across several key areas to address children's rights – including the climate crisis, mental health, and inequality in digital connectivity and content. We have the dedication, passion, and power to act collectively to find innovative solutions where there are currently gaps.

For me, this combination of investing and philanthropy – based on my values – maximizes my impact. It is a great opportunity to focus on work that still needs to be done in Colombia, while at the same time contributing to solve similar problems around the world. I'm often asked why I do this through UNICEF, and not go at it on my own, or with a different financial instrument. The fact is that UNICEF has the expertise to know how to impact children with



"IT IS IMPORTANT TO THINK OF BOTH IMPACT INVESTING AND PHILANTHROPIC INVESTING AS INVESTMENTS WITH LIMITLESS RETURNS."

the greatest effectiveness. They know where the needs are and know how to ensure maximal outcomes and can use philanthropic investments flexibly. Collaborations between private and public, traditional and philanthropic, and global and local are essential if we want to achieve our sustainability goals.

Where impact investing cannot yet invest – for instance, where there is not an immediate ROI to the investor – is where philanthropy can make an impact. And impact investing is how we ensure our financial systems are solidifying business for good and not just profit. They both bring societal equality and equity.

SHAPING THE FUTURE OF IMPACT INVESTING AND PHILANTHROPY

We are behind schedule and desperately need funding to meet the SDGs by 2030. This means that it is essential to start thinking about things like our environment, regenerative agriculture, and nature-based solutions when we make our investments.

It is important to think of both impact investing and philanthropic investing as investments with limitless returns. For example, if you're investing in the future of children and education, you're also investing in agriculture, industry, innovation. If you're investing in the environment, then you're also investing in decreasing inequality. This combination of investing can shape the future, since it directly lays the path to a better world for the next generation.

It is also important to understand that impact investing is about more than just the outcome of the investment. One may think that if their input is providing funding toward education for children then the output is "This child now has access to education." Right? Not quite.

The real impact is far more profound. Using education as an example, we also need to think about the following: What has the child been able to achieve due to the investment? Can they join a future workforce to address the problems of the future? There is exponential impact when you consider the results of investing in children and there's research to back it up. Every extra year of schooling for a girl can increase her future earnings by up to 20 percent.[1]

Let me be clear about this: such an approach to investing in systemic change is not a short-term endeavour. It is about leveraging funds to create better lives and communities for the long-haul. If you're looking for a quick fix, then look elsewhere. But if you have the vision and ambition to use your capital and resources to maximize benefits for future generations, then this is the place for you.

MELISSA SESANA GRAJALES – CO-FOUNDER& PARTNER, ASIRI S.A.S.

Melissa Sesana Grajales is a co-founder and partner at the investment firm ASIRI S.A.S. and operating partner at EWA Capital. She is also a principal of her family's office, Inversiones Brembo, and on UNICEF's NextGen global board.

[1] https://www.unicef.org/media/128586/file/UNICEF_Adolescent_Girls_Programme_Strategy_2022.pdf

owenjames | Philanthropy Impact — Inspiring Philanthropy and Investing for Impact

Owen James Events and Philanthropy Impact Partnership

SOCIAL IMPACT INVESTMENT AND PHILANTHROPY CAMPAIGN

PLUGGING INTO THE SPECTRUM OF CAPITAL

Building an ESG, SRI, Impact Investment and Philanthropy campaign.

Given the rise in interest around ESG, SRI, Impact Investing and Philanthropy amongst distributors and investors alike, Owen James and Philanthropy Impact have decided to put together a package of services to help drive your presence, awareness and engagement in this area.

We have often held the belief that an event or a piece of content in isolation holds limited value… think of it like a heartbeat. If you are looking to generate sustained ROI then it is important to look at the wider picture and build a meaningful campaign. To this end, Owen James have teamed up with Philanthropy Impact to help you curate a perfect campaign to penetrate the Wealth Management & Private Banking market.

KEY ELEMENTS TO THE PERFECT CAMPAIGN

owenjames | Philanthropy Impact — Inspiring Philanthropy and Investing for Impact

Events
- Meeting of Minds
- Beacon Philanthropy & Impact Forum
- Bespoke events & briefings
- Philanthropy Impact events & training

Content Creation
- Video
- Webinar
- Written content (whitepapers, blogs, articles, etc)

Insight / Research
- Inclusion of questions in Scene Setter questionnaire
- Bespoke research

Marketing
- Website; bi-weekly newsletters; quarterly thematic magazine
- Profiling
- Advertising
- Articles

WHAT NEXT?

If you would be interested in getting more information or chatting through the options in more detail, please contact either:

James Goad at Owen James Group on 01483 861334 or jamesgoad@owenjamesgroup.com

John Pepin at Philanthropy Impact on 07803051674 or john.pepin@philanthropy-impact.org

EMPOWERING PHILANTHROPISTS TO ACCELERATE CHANGE THROUGH IMPACT INVESTMENTS

DR. WENDY WU – WWW.NAPIER.AC.UK

Coined by the Rockefeller Foundation, the concept of impact investing has significantly matured.

Particularly post-COVID-19, this sector has grown complex due to difficulties in defining and measuring its impact as outlined by UNPRI in 2023. This growth reflects a shift from traditional 'theory of change' methods to creating products and services that benefit society and the environment.

MARKET CHANGE

The COVID-19 pandemic reshaped global investment patterns, leading investors towards more cautious and value-driven strategies, as highlighted in studies by Sansa (2020) and Ramelli and Wagner (2020). Furthermore, a decline in Foreign Direct Investment, especially in developed regions, underscores the need for resilient and sustainable investment strategies (UNCTAD, 2020). The interplay between psychological factors and market dynamics during the pandemic also underscores the importance of robust market intelligence to guide investment decisions.

INSIGHTS FROM RESEARCH

Recent longitudinal studies (Wu, 2018, 2022) have illuminated several key insights into the landscape of impact investment:

1. **Sustainability and Structure Deficits.** There exists a notable gap in sustainable business models and adequate structures among purpose-oriented enterprises. This gap often limits these enterprises' ability to effectively absorb loan financing, pointing to a need for more robust organisational foundations.
2. **Challenges of Traditional Financing.** Traditional financing models, such as standard loans and equity investments, often do not meet the nuanced needs of purpose-driven enterprises. Innovative financial instruments such as perpetual bonds and quasi-equity could provide viable alternatives, offering more flexibility and better alignment with the long-term goals of these organizations.
3. **Capital availability vs. support structures.** While there is no shortage of capital available for investment initiatives, there remains a significant gap in the pipeline support necessary to help purpose-oriented enterprises affected by COVID-19 to survive, recover, and thrive. This discrepancy underscores the necessity for targeted support mechanisms that can bridge enterprises from crisis to stability and growth.
4. **Diverse needs and innovative approaches.** The varied social and environmental challenges we face today require multifaceted solutions. Traditional linear investment approaches are often inadequate, necessitating a shift towards more holistic and adaptive strategies that can support a diversity of outcomes—akin to nurturing 'a thousand flowers to bloom.'
5. **Isomorphic changes and homogeneity displayed in impact investment.** The tendency of entities within sectors to mimic successful models has led to a degree of homogeneity, diminishing the innovative potential of impact investments. This phenomenon highlights the urgent need for novel approaches that not only challenge the status quo but also embrace the complexity of competing demands and supplies.
6. **Reimagining impact investment.** There is a critical call within the sector for alternative and imaginative investment strategies that extend beyond the conventional scopes of loans and grants. Such a re-evaluation is crucial for catalysing transformative changes and effectively addressing the intricate web of global challenges.

These insights call for a reassessment of how philanthropy and impact investing can more creatively and effectively support dynamic and impactful engagement. As we delve deeper into the complexities of these sectors, it becomes increasingly clear that embracing innovative models and strategies is essential for fostering substantial and sustainable change.

EMERGING THEMES AND CHALLENGES

In the evolving landscape of philanthropy, one of the most prominent themes is the integration of cross-generational wealth transfer with a growing emphasis on social and environmental impacts in investment decisions. This trend reflects a deeper understanding among donors and investors of the long-term implications of their contributions and the desire to leave a lasting, positive legacy. However, the sector faces significant challenges that hinder its progress.

Knowledge gaps remain prevalent, as many stakeholders lack the comprehensive understanding necessary to navigate the complex intersections of philanthropy and impact investing effectively. Additionally, data scarcity impedes the ability to make informed decisions, highlighting the urgent need for enhanced data collection and analytics.

Moreover, the absence of robust market intelligence further complicates the landscape, as investors and philanthropists struggle to identify and support the most effective and sustainable initiatives. Addressing these challenges is critical for the sector to not only adapt and evolve but also to maximize the impact of philanthropic efforts in an increasingly interconnected world.

FUTURE TRENDS AND PRACTICAL SUGGESTIONS

The future of impact investment lies in co-creation and collaboration. Foundations and wealth managers are experimenting with new forms of impact investments, such as quasi-equity and blended finance models. These innovations facilitate deeper engagement with various stakeholders, including the third sector, to shape a shared agenda and generate impactful solutions.

PRACTICAL SUGGESTIONS:

1. Understanding the motivations and sentiments of philanthropists, while considering their risk appetite and aptitude for addressing enduring and complex challenges.
2. Technology and AI Integration. Utilize advanced technologies to manage and interpret complex data sets to better understand market demands and investment opportunities.
3. Interdisciplinary Approaches. Employ interdisciplinary methods to enhance decision-making processes, ensuring that investments are both impactful and financially viable.
4. Stakeholder Engagement. Emphasise the importance of engaging a broad range of stakeholders in discussions and decision-making processes to ensure diverse perspectives and inclusive strategies.
5. Engaging with academics and utilising scientific evidence can enhance innovative problem-solving and the development of business solutions.
6. Regulatory and Ethical Considerations. Stay informed of regulatory changes and ethical implications to navigate the complexities of impact investing responsibly.

As the field of impact investment continues to evolve, wealth management professionals, investment advisors, and philanthropic organisations must adapt to these changing dynamics. By understanding and addressing the emerging themes and challenges in a holistic manner, and by implementing innovative strategies with systems thinking, we can ensure that philanthropy not only meets but exceeds its potential for social and environmental impact.

DR. WENDY WU SFHEA – LECTURER OF ENTREPRENEURSHIP AND INNOVATION, ENTERPRISE MANAGER – BRIGHT RED TRIANGLE, RESEARCH ENTERPRISE INNOVATION DEPARTMENT, EDINBURGH NAPIER UNIVERSITY

Wendy was born and raised in rural China before moving to the UK in 1999. Recently, she joined the Robertson Trust as a Trustee, serving on the Social Impact Investment Committee.

She holds a PhD from the University of Edinburgh Business School, a comparative study on funding models, ranging from venture philanthropy to impact investment.

Wendy currently works for Edinburgh Napier University as both a lecturer in Entrepreneurship and Innovation and an Enterprise Manager, in the latter role she has advised over 300 businesses and delivered training for over 1000 entrepreneurs. In 2020, she established the Edinburgh Napier University Impact Investment Symposium, an ongoing initiative fostering collaboration among investors, philanthropists, academics, and social entrepreneurs.

Prior to her current role, she enjoyed a varied career, amongst other roles she was the CEO of an International Charity, a business owner, and a funding Education Officer for the Scottish Arts Council.

In her spare time, Wendy enjoys writing poetry, meditating, and working on her allotment.

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TRAINING

Increased Customer Centricity – the Impact of Consumer Duty

Training advisors on how to discuss with clients their values, motivation, ambitions, and goals; creating a sustainable wealth strategy

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Consumer Duty regulations for financial services firms to put the needs and expectations of clients central to the relationship with them - addressing consumer needs, understanding and expectations.

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- Improve client engagement while enhancing your reputation.
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This course is intended for wealth and finance advisors as well as lawyers and other professional advisors with an interest in values based client centric issues and ESG/impact investing

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Philanthropy Impact, 218 Strand, Room 12, London, WC2R 1AT, United Kingdom
E: info@philanthropy-impact.org | **T:** +44 (0)20 7407 7879 / +44 (0)780 305 1674
@PhilanImpact linkedin.com/company/philanthropy-impact
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