

Big Issue Invest: Our Journey

Sarah Forster (www.bigissueinvest.com)

Big Issue Invest is one of a number of intermediaries, but with a special focus on relieving poverty. It grew out of The Big Issue as another means to support people and communities in their efforts to address unemployment, inequality and other issues related to poverty such as negative health outcomes and reduced educational attainment. Social performance is required reporting by investees.

The Big Issue has always lived or died in the marketplace, depending on people to buy the magazine on the streets to both earn a revenue and provide a living for our vendors. Vendors buy copies for £1.25 and sell for £2.50. This marketplace culture runs through Big Issue Invest. They rely on raising private capital – from individuals, foundations and institutions – to provide the funding needed to invest in social enterprises, providing a financial and social return back to them. Their aim is to use the power of the marketplace to dismantle poverty and inequality – using good business to do great things. “Big Issue Invest was set-up to help tackle and prevent some of our biggest social problems. What we do is not charity. We invest in businesses led by socially minded entrepreneurs from all walks of life. We understand firsthand how good, smart business can do great things.” Nigel Kershaw OBE CEO, Big Issue Invest & Chair, The Big Issue

The Need We Meet

Big Issue Invest (BII) is the social investment arm of The Big Issue, Britain’s well-known social business. The Big Issue was launched in 1991 as a business response to the social crisis of homelessness. It offers homeless people the opportunity to earn a legitimate income through selling The Big Issue magazine, thereby ‘helping them to help themselves’. The Big Issue has gone on to become the world’s most widely circulated street newspapers and recognised as a pioneer of social entrepreneurship worldwide.



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BII’s mission is to provide finance to social ventures that help tackle poverty and inequality. Since start-up, we have raised and invested over £25 million in more than 300 social enterprises improving the lives of 1.8 million people in the UK’s poorest communities. As a social enterprise ourselves, we pay any dividends generated by our business to our parent company: The Big Issue.

The Context

Despite a gradual recovery of the economy Britain today is a country of rising inequality and poverty. One in five people in Britain live in relative poverty and 8.4 million people (14%) live in absolute poverty. Over two million people in the UK are unemployed. Clearly, Britain has significant social problems to address and social needs to be met. At the same time, both government expenditure and the charity sector continue to face significant constraints.

Social enterprises sit between charity and mainstream business. We believe that social enterprise

and social investment are part of the solution to tackling poverty and inequality. Social entrepreneurs set out to tackle problems that are hard to solve for people and places with the greatest need by developing sustainable business models with clear social objectives. Ensuring that social entrepreneurs have access to the finance and support they need for success is critical.

Key Elements

Since start-up in 2007, our journey has involved seeking to achieve three key objectives which are challenging and require managing tensions between social and financial goals:

- Design simple financial products that suit the needs of social enterprises at different stages of development
- Design financial products that are appealing to a range of socially-minded investors and offer both financial and social returns
- Build our own business as profitable business driven by our social mission

The first and core business of BII is Lending. We provide loans from £50,000 to £250,000 to trading charities, community organisations and other social

enterprises that can demonstrate their ability to use a loan productively and repay it. In 2012, we merged with The Social Enterprise Loan Fund, which operated in the same market to scale-up our lending operation and increase its financial viability and national outreach. Mergers and acquisitions are very rare in the social sectors but we believe they are key to increase the scale and effectiveness of social enterprises and charities.

We then recognised that some of the best social enterprises needed longer-term, more risk-taking growth capital to scale-up their operations not fixed interest-bearing, term loans. We also wanted to expand our sources of capital and attract private social investors. Hence, in 2012, we launched a Social Enterprise Investment Fund LP. This is the UK's first commercially structured social investment fund offering debt, quasi-equity and equity to social enterprises up to £1.5million. The Fund successfully raised £9.25 million from foundations, individual investors and corporates. It is now 45% invested in 16 social enterprises and we have started making distributions to our investors.

BII's track record of entrepreneurship, innovation and new product design continued with the launch of the Corporate Social Venture programme in 2013.



This is designed to help meet the demand for finance from early stage social ventures. The majority of our demand comes from early stage businesses led by social entrepreneurs at the proof of concept or early business development stage. This programme raises capital from the government and corporates and provides a combination of risk capital finance up to £50,000 and intensive corporate business mentoring for this early stage market.

Social investment require investors willing to take on a risk/return profile that goes beyond traditional investment models – one that is long-term and brings social value creation – not just the potential for financial gains – into the investment decision-making process. They exist but demand from socially-driven investors is not as high as we'd like. We spend a lot of time helping raise understanding and awareness of social enterprise and social investment.

However, the next step on our journey was to design a product suitable for the mainstream market and design a product that met the risk, return and liquidity demands of the mainstream market. We partnered with Threadneedle Asset Management Limited and in January 2014, the Threadneedle UK Social Bond Fund was launched as the first fully regulated social investment product offering daily liquidity with a dual objective of achieving both corporate bond returns and positives social outcomes. The fund invests in corporate bonds in socially beneficial sectors: affordable housing, education, employment and training, financial inclusion, transport and utilities and the environment. The aim is to invest up to 10% in charitable and social sector bonds. BII now acts as the Social Advisor to the Fund.

Looking Ahead

We have big ambitions. We aim to become the most recognisable, trusted, and effective social investment organisation in the UK. However, we can't do it alone. To effectively grow BII, we continually look for individuals and organisations to partner with that share our values and recognise the important role that business and finance plays in changing peoples' lives for the better.

Currently, we are focused on three main concerns:

- Launching more products for the mainstream retail and institutional market that attract a following of socially-minded investors building on the success of the Threadneedle UK Social Bond Fund.

We're a small organisation looking to achieve a large sea change in how business and finance relates to wider societal issues from the bottom-up, led by social entrepreneurs, for social entrepreneurs.

- How to develop an offer to encourage more individuals to support social enterprise development. We're thinking of a mix of grant and investment that is appealing from a financial, tax and social perspective and provides the right mix of risk finance and capacity-building support to build sustainable, high social impact social enterprises.
- Building specialist social investment funds that are focused on tackling specific social problems, such as financial inclusion or health and social care for disadvantaged individuals.