

The power of impact investing

How families can create meaningful and lasting change

ANTHOS
Fund & Asset Management

Who is this white paper for?

Current generation heads of families

Whether you are active in impact investing or not, we hope this "plain language" paper provides some useful clarity amidst the noise surrounding everything that sits beneath the sustainability umbrella of investments.

We write this to share our experience as an investment manager that has stewarded the assets of one mission-led family business for six generations. Our intention is to inform, inspire and invite further dialogue.

Next generation wealth owners

When you plant an acorn, your great-great-great-great-great... grand children could bask in the shade of the oak tree it will become. If being a "next gen" wealth owner resonates, what acorns are you planting today?

We hope this paper helps you to consider answering that question. We hope to give you ideas, further areas of research, and approaches you could take. You can also use this paper to start conversations about your impact intentions with family members or your wealth manager.

Wealth managers, or investment consultants

Much of what you read in these pages will likely be familiar to you; we are not here to preach. However, we do hope that you will find some new ways of thinking about and explaining impact investing to your clients.

The paper is based on the many questions we have been asked ourselves by clients who are increasingly curious about impact investing. So we hope it helps you too.

We welcome you to get in touch should you wish to dive deeper into any of the material.

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PART 1

A message from a sixth-generation family business owner



A MESSAGE FROM A FAMILY BUSINESS OWNER

A message from a sixth-generation family business owner

"Imagine if empathy for others was integrated into investments so that businesses that do good do well and those that do harm suffer?"

Dear reader,

It can be difficult to feel hopeful in times like these. Multi-polar crises are fracturing an already fragile economic system. Climate change, wealth inequality, pandemics, conflict, and discrimination are some of the problems to worry about. Especially when considering future generations who will be the ones to bear the brunt.

Sustainable development to fix these issues, as set out by the United Nations' Sustainable Development Goals (SDGs), is more needed than ever. But, there is a problem: we are $135 trillion short.[1] Governments and the social sector do not have the resources to fill that gap, so the private sector must step in. The good news is that there is now $450 trillion in liquid assets in the world that could address these issues — if invested.

In fact, the Organisation for Economic Co-operation and Development (OECD) estimates that if banks and private investors committed just 1% of capital towards the solutions, we could achieve the SDGs. Recent events show what happens if we don't.

The costs of solving the SDGs rose in 2022 by 25%, driven by continued under-funding, shorter time frames and rising costs associated with reaching net-zero carbon emissions, soaring inflation and interest rates.

These increasing economic pressures led to worsening progress on several SDGs, with hundreds of millions more facing poverty and food insecurity.

This affects everyone, including asset owners in unique ways. Instability of the economic system causes instability in financial markets. Over the long-term, that means addressing these issues and building back resilience in the system is fully aligned with asset owners' primary responsibility to secure wealth for current and future generations.

[1]The Force for Good Initiative. Capital as a Force for Good, Capitalism for a Secure and Sustainable Future (2022). London.

A MESSAGE FROM A FAMILY BUSINESS OWNER

What can we do?

We have spent some time trying to understand how to answer this question. Other family business owners will recognise the various spheres of influence to push the sustainability agenda forward: there's the business itself and all it touches; there is how to support people through philanthropic work; and there's how to invest wealth.

From speaking to other family business owners, it is clear we all grapple with similar challenges — I do not think anyone can confidently say they are getting it right yet, but the enthusiasm and desire for change are there.

Throughout the COFRA group, we strive to do the work to understand our impact so we can improve our sustainability footprint across our diverse businesses.

I am inspired by the tireless efforts of the people pushing for a better world: it takes grit, creativity and a lot of empathy to solve problems at the grassroots level. It will take the same, multiplied many times over to solve them at the global level. Which brings me to the third sphere of influence that sits within the remit of families: how to invest wealth.

Imagine if empathy for others was integrated into investments so that businesses that do good do well and those that do harm suffer? Imagine if we could prove it? Sir Ronald Cohen recognised this potential and calls it the "impact revolution," where investors can align their investments with their values and create positive social and environmental impact while also achieving financial returns.

At Anthos Fund & Asset Management (Anthos), we believe in the power of impact investing. We do not think this needs a radical revolution, but rather a reallocation of investible assets. For years, we have focused on developing a way to generate market-rate financial returns alongside intentional and measurable impact to make that reallocation a plausible and profitable reality.

We know our efforts alone are not enough to create radical change. By working and investing together with other families, we believe we can create a big enough ripple effect that could lead to radical change. We understand the many current challenges that other family business owners may be facing.

Impact investing may seem like a nice to have, but not an imperative with the current economic climate. We encourage you to consider investing in the societal solutions that add both financial and social value; that generate returns and that build back resilience into our economic system. This is what it means to have investments be 'force for good' on the world.

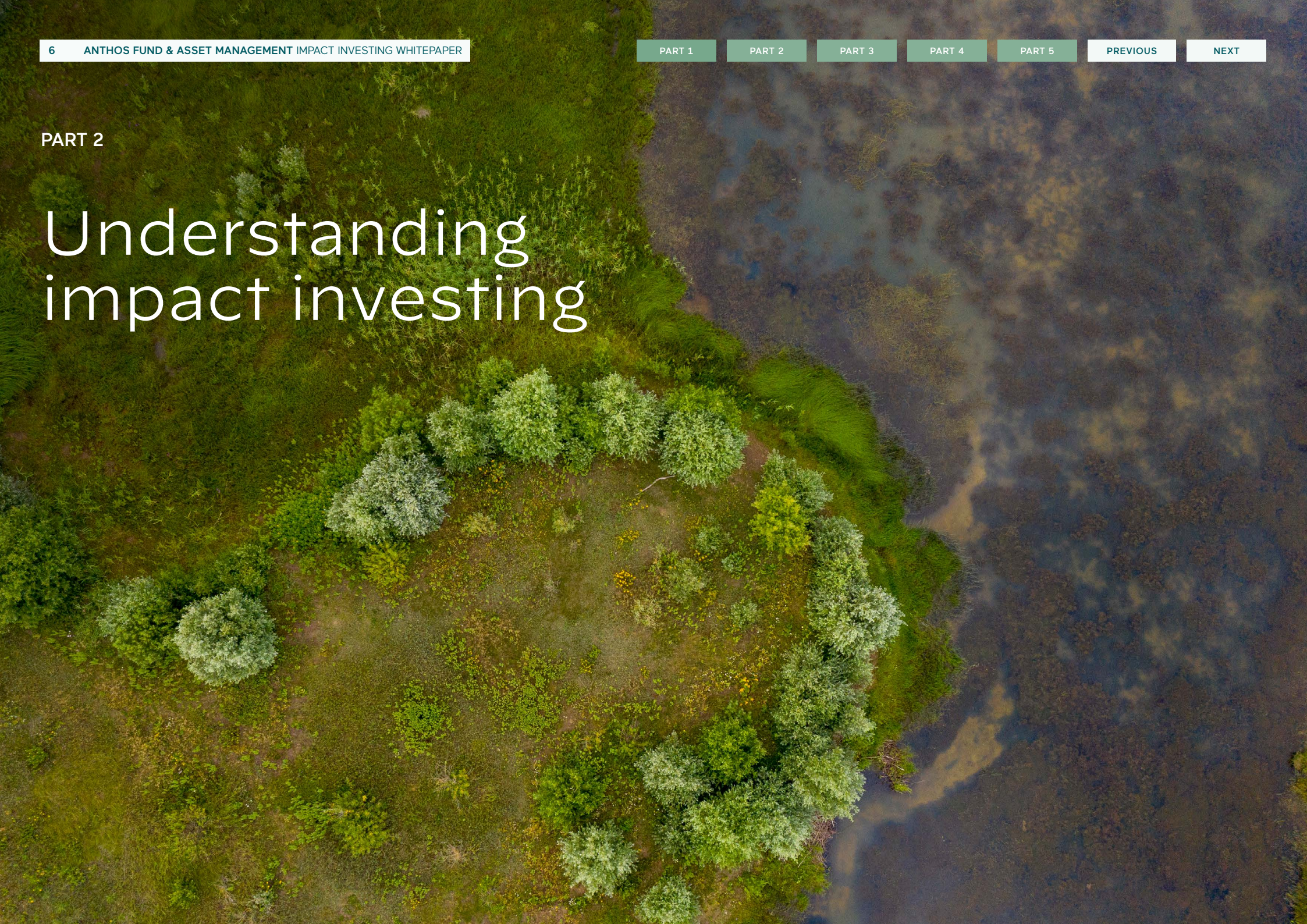
We hope you will consider joining us in creating a ripple effect for impact investing. Together, we can transform wealth into meaningful and lasting change.

Sincerely,

Johanna Brenninkmeijer
Managing Director Multi-Asset Impact,
Anthos Fund & Asset Management

PART 2

Understanding impact investing



Understanding impact investing

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return[2].

Back in the day, you could either make money or you could give your money to charity. Now, there is a vast spectrum of capital with a variety of financial and sustainable return objectives.

Figure 1: The spectrum of capital
(Source: Anthos Fund & Asset Management)

	Traditional investing	Responsible investing	Sustainable investing	Impact investing	Impact-first investing	Traditional / venture philanthropy
	Delivering competitive financial returns				**Below market rate returns**	
		Mitigating environmental, social and governance risks				
		Pursuing environmental, social and governance opportunities				
				Focusing on measurable high-impact solutions		
Goal	To achieve a positive financial return	To achieve a positive financial return without making a negative social or environmental impact	To achieve a positive financial return while generating positive outcomes to a wide range of stakeholders	**To achieve a positive social or environmental impact while making a positive financial return**	To achieve a positive social or environmental impact with a higher risk on outcomes and lower expected returns	To achieve a positive social or environmental impact without a financial return requirement
Focus on risk-adjusted return	High	High	High	**High**	Medium	None
Focus on impact	None	Low	Medium	**High**	High	High
Potential for improvement	Effect on society and market	Impact	Scale	**Scale**	Risk mitigation	Financial viability

[2] Global Impact Investor Network (GIIN)

How we consider different types of investing at Anthos

Traditional investing

These days, finding investments in the far-left corner of traditional investments that do not consider environmental, social or governance (ESG) factors at all is fairly difficult. "Sin stocks" are examples, such as coal, tobacco, alcohol, and arctic drilling companies. But even these examples might have good "G" governance in place, otherwise there would be no reason for investors to see potential value in holding them.

As 2022 showed, these investments can still outperform the market, but they are considerably out of favour in modern times. The added reputational damage of holding them is something investors ought to consider in this age of transparency and collective public judgment.

Philanthropy

The far-right column is also well understood. Charitable giving has its roots in religious values and goes back many hundreds of years, with examples found as far back as 2,500 BC.

In modern times, the space is exceptionally developed with technology playing a central role in distributing, managing and monitoring progress.

Venture philanthropy is popular, where investors play an active role in overseeing and engaging with the projects. Wealth philanthropists have influence aside from monetary resources which they use to help drive success of their endeavors. It is an exciting and catalytic space.

Responsible investing

It is the middle columns where the majority of private sector wealth is invested, and where there is some confusion. Starting with what we term as "responsible investments", these seek to make a financial return without causing significant harm. The majority of investments fall into this camp through exclusions of investments like sin stocks, or sanctioned countries as well as integrating ESG into the investment process but without focus on generating positive sustainable outcomes.

In other words, these investments assess ESG aspects purely from a risk perspective, rather than seeing impact investments as a business opportunity. Examples include real estate funds that report well on ESG, or private equity funds focused on company growth and that consider exclusions.

Sustainable investing

"Sustainable investments" take this a step further, which seek to make financial returns but also aim for positive outcomes to a wide range of stakeholders. For example, investing in renewable energy companies, or funds that specifically address social issues like diversity and inclusion.

Impact investing

"Impact investments" still integrate and report on ESG, but have very different and specific objectives. They intentionally aim to achieve positive impact and "contribute to society" in a clear and measurable way and have a robust theory of change[3] to support their thesis for improving said impact. Typically, their impact measurement methodology is aligned with science-based or similar targets, lining up with global trends and frameworks like the SDGs and Paris Agreement.

Impact investments can be concessionary in nature, which means more focus is given to impact return than financial return. Our definition of impact investing maintains that both are necessary to qualify as impact investing because a financial return requirement brings discipline to the business. Plus when a financial return is made, one can continue investing more.

Examples could include an edtech fund focused on improving underserved people's lives through education, a solar farm providing renewable energy to poverty-stricken countries in Africa, or a biotech fund striving to achieve profitable growth and provide medicine to people in need.

[3] A theory of change is the conceptual road map for how an organisation or investment fund expects to achieve its intended impact.

How we translate investment types into impact classes

Like asset classes, impact classes are a way to group investments with similar characteristics, but by impact traits instead of financial ones. The Impact Management Platform (IMP) is broadly established as a pillar of best practice when it comes to impact classification. Its "ABC" framework organises investment by impact strategy: "Avoiding" harm in order to mitigate negative social or environmental effects; "Benefiting" stakeholders in order to favor more socially and environmentally sustainable business practices; or "Contributing" to solutions that address identifiable social and environmental challenges.

The ABC framework is not intended to replace the current terminology preferred by the market: "negatively screened", "ESG integration", "thematic" or "impact" investments. Or, in our case: "responsible", "sustainable" and "impact" investments. In fact, these terms align relatively neatly with the ABCs (Figure 2).

Figure 2: Impact Management Platform's ABC framework

Source: Impact Management Platform



The successful implementation of such a framework lies in its simplicity. For investment managers like us, the key to market rigour, authenticity, and integrity is the ability to scrutinise each investment with precision by specifying exactly what impact goals we intend to create for each investment.

For asset owners and wealth managers, it is a very simple "common language" that can be used to understand the social and environmental outcomes of investments, make informed decisions, drive positive change, track progress towards sustainability goals, and evidence success.

That's why we use it to measure impact for each of our portfolios across equities, fixed income, real estate, private equity, absolute returns, and multi-asset impact and we also measure at the total portfolio level so investors can see the impact of all assets under management.

In addition, we have found that our impact classification work fits fairly neatly into the latest regulatory developments coming from the EU.

The regulatory push for impact

With the growing interest in sustainability, "greenwashing", "impact washing", "blue" and even "pink washing" have also risen proportionately.

Regulatory forces have responded, with the EU leading the way. Unfortunately, some investors have seen this as a reason to dismiss "ESG" investing entirely, whilst others have seen it as a reason to downplay the sustainable characteristics of their assets or investments for fear of non-compliance.

For asset owners and investors who employ asset managers to steward their capital, the key message is that these regulations add another dimension to help strengthen the due diligence process so they can scrutinise each investment or manager.

Explicitly, the Sustainable Financial Disclosure Regulation (SFDR) and related EU taxonomy came into place in 2021 and enforces that companies disclose the negative and positive impacts of their operations. For asset managers, this regulation means they must disclose how they invest to mitigate the negative and create the positive impacts through agreed upon practices.

The result is that all investment products are classified into three categories:

- "Article 6" products either integrate environmental, social and governance (ESG) risk considerations into the investment decision-making process, or explain why sustainability risk is not relevant, but do not meet the additional criteria of Article 8 or Article 9 strategies.
- "Article 8" products promote social and/or environmental characteristics, and may invest in sustainable investments, but do not have sustainable investing as a core objective.
- "Article 9" products have a sustainable investment objective.

How we consider impact in the context of the SFDR regulations

Our findings show that these three categories broadly fit with the IMP's ABC framework. We are encouraged to see this as it strengthens a due diligence assessment of investment products which uses both.

For example, we noted that the SFDR reporting requirements to categorise Articles 6, 8 and 9 roughly align with types of IMP types of impact. This informs our assessment of potential funds along the three dimensions of impact we measure: intention, allocation and measurement. Looking at measurement, for example, for a fund to comply with our requirements it needs to show evidence of the significant outcomes experienced by underserved stakeholders. It also needs to measure the negative outcomes and show a commitment to reporting in line with SFDR Article 9 as well as any potential negative impacts or risks. For more information on our impact assessment methodology, get in touch or read our **impact position paper.**

Conclusively, the transparency from new regulations coupled with the development and sophistication of ways to measure impact are giving investors more information than ever to assess the impact of their portfolios and make decisions about their intentions.

But you cannot change what you can't measure, which is why using such impact mapping frameworks as the IMP to have meaningful conversations about one's investments is a powerful tool to understand the impact families want to have, what they actually have, and what they want to change.

We believe this will bring to the surface the potential value of those investments that do good, and will shine a light on those that do significant harm so that the true risk/return/impact profile of investments is revealed.

Responsible investors can then make decisions based on their values, rather than shooting in the dark.

So what?

Below are some questions and ideas about how to turn this information into actionable next steps.

- How will this then translate into tangible activities?
- How can you communicate these ideas to the rest of your family/investment team?
- What tangible next steps can you take?

First generation entrepreneurs, or current generation heads of families:

- Speak to your investment manager about the impact of your investments, positive and negative.
- Hold a meeting with your family committee to gather insights into how everyone is feeling about impact and/or sustainability.
- Conduct a survey with the broader family to get a complete picture. This could give you ideas about their impact goals and the gap between actual performance.
- Speak to experienced impact investors in your network to hear about their journeys.

Next generation wealth owners:

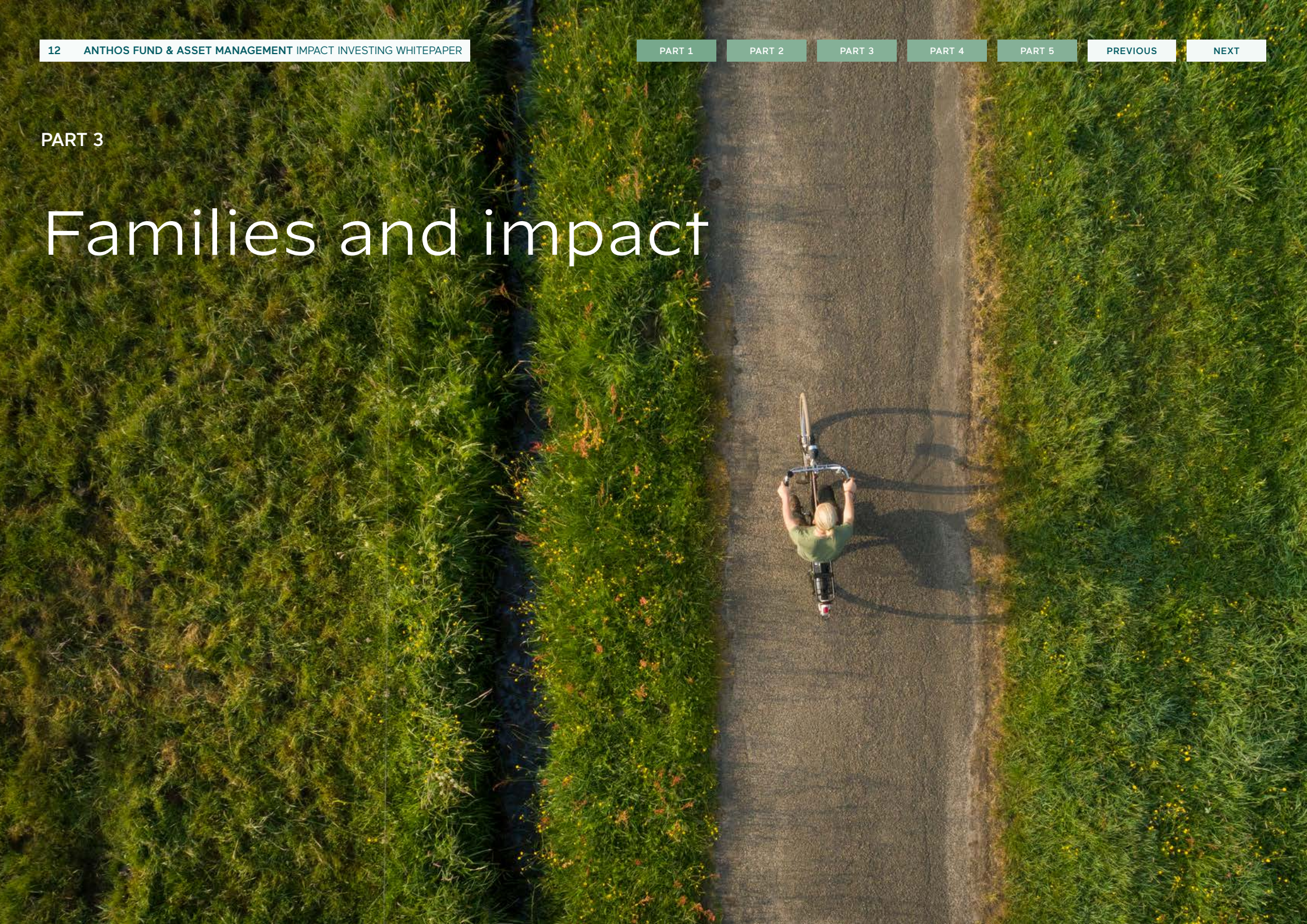
- Speak to family members about impact investing and gauge their level of engagement/understanding.
- Network with other next gen impact investors and join groups to hear how others have done it successfully.
- Ask your financial advisor/wealth manager about what investment options there are to invest sustainably and what the current impact profile of your investment portfolio is.
- Assess levels of engagement and willingness to explore options.
- Conduct further learning and resources, such as those offered by the **University of Zurich** or the **Otto Beisheim School of Management.**

Financial advisors or consultants who work with families:

- Consider mapping your clients' investments to the different IMP impact categories. Consider some of the questions you may get asked about impact/sustainable investments and potential responses.
- Review your clients' investment policy documents and assess the strength of the sustainability / impact intentions as relates to their family values. Does it stack up or could it be stronger?
- Speak to the fund managers to proactively get answers about their level of sustainability engagement and opportunities for change.
- Conduct further research and learnings, such as those specialised courses offered by **CFA**, or by **Oxford University.**

PART 3

Families and impact



Families and impact

Why family capital is ideally suited to impact investments.

When it comes to making investments that have a positive impact on the world, family capital is a great fit. Many families are often focused on creating a legacy that spans generations, so they're more likely to invest for the long haul.

This patient approach is particularly important for addressing urgent global issues that require time and flexibility to solve. With their agility and ability to act quickly, families can make a real difference in tackling some of the world's most pressing challenges.

Urgency

We need impact today, not in the next decade or the one after. An important part of the impact required to fix the urgent issues in the world can only be developed and implemented with patient capital. Therefore the 'patience' of family capital is a critical factor for successful impact at scale.

Agility

Families have a greater flexibility and agility as well as different perspective on fiduciary responsibilities from typical investors. In principle, family capital is perfectly placed for the allocation towards impact investment, especially in those early-stage undertakings that might not otherwise be well-positioned as "first investment" from the likes of more mainstream investors such as pension funds.

Typically unrestricted by formal investment mandates and targets, families and their offices bear a certain freedom in determining what fund lifetimes and return expectations must really be for them.

Generational thinking

Securing wealth for future generations is an inherent part of the fabric of a family's investment policy. That should extend to what sort of future those investments are "voting for". Impact investing is therefore very much aligned with the generational thinking of families who think in terms of decades, not quarters.

This foresight helps families to decipher what blueprints they need to design today in order to secure prosperity in the future that is in harmony with society and nature.

"Whether a family of ten or a 1000, at the end of the day we are all people who would like to live in a world that is safe, equal, and healthy. When it comes to creating positive impact, everyone has their own ways to go about it whether that's through personal investments, philanthropic activity, or even giving their expertise and time to good causes.

What I find inspiring about impact investments is that it requires more deliberate choices and a fundamental understanding that you can directly contribute to a more just and equitable society.

That's an area where I welcome more non-jargon guidance to be able to start conversations with family members and explore ways forward together for even greater impact."

Charlotte Brenninkmeijer, CEO, Anthos Family Office

Why impact investments are ideally suited to families

Crucially, because it makes financial sense, aligns invested capital with personal values, and sends a powerful signal to others.

Financial returns

Impact investing can be a smart financial decision. Many impact investments, such as listed renewable energy companies, green or social bonds, or natural capital assets and services companies offer competitive returns. Given the worldwide drive for long-term social and environmental improvement, backing the winners of sustainable transitions is likely to make sense.

Aligning values

By investing in companies or initiatives that focus on sustainability, clean energy, or social justice, families support causes that align with their values and contribute to a better world. For example, investing in a renewable energy company helps reduce carbon emissions and combat climate change, while investing in a fair trade coffee company supports small farmers and promotes ethical business practices. By investing for impact, families can ensure that capital is channelled in ways that align with personal values and beliefs.

Influencing change

By investing in impactful companies, investment products and initiatives, families may use their influence to encourage actors to prioritise social and environmental issues. This can lead to positive changes in corporate/investment behaviour and policies, such as setting carbon neutral targets or improving working conditions for employees.

What's more, once families embark on impact investing and share their stories, it creates a ripple effect for other investors to follow suit.

When enough capital is allocated this way, that is what could lead to meaningful change.

"I think we all want to be part of accelerating the systemic changes needed to protect and preserve our common home — where people and planet thrive sustainably.

For us, this ties into a personal vocation to contribute to society from within our passion as business leaders."

Albert Brenninkmeijer, Managing Director, Client Advisory & Solutions, Anthos Fund & Asset Management

The problem: "talk" but no "walk"

A number of surveys and reports have shown that families intend to increase their allocations to impact investing in the near-term, and yet there remains a gap between "talk" and action.

We recognise the typical causes: higher expected risk, suspected sacrifice for financial returns, seeming vagueness of impact investments and whether they work, fear of green (or other) washing and related potential reputation damage, along with the typical barriers associated with trying something outside one's comfort zone. Another delay we often hear is that many families believe they are already giving back to society via their philanthropic efforts and personal engagement with issues they care about, feeling it's best to leave social development to the experts in government, the public and social sectors.

Greater due diligence requirements

Additionally, a transforming regulatory landscape in response to backlash over green washing and the need for stronger disclosure and enforcement has driven families to focus on due diligence. Many are now taking stock of their current practice before allocating more assets to sustainable investments. The latest UBS Global Family Office Report points out: "Illustrating their hesitation, family offices aren't fully embracing the latest developments in sustainable investing yet.

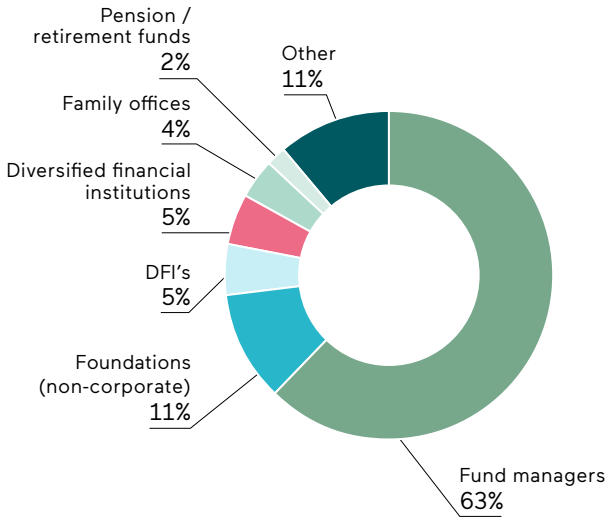
The straightforward approach of excluding industries or controversial business activities is still used by many. More than a third (38%) take the exclusions approach globally. While ESG integration and the pursuit of specific sustainability objectives have become a more prominent approach for various larger institutional investors, only just under a third (31%) of family offices have embraced it in their investment process. Finally, a quarter (24%) of family offices make impact investments."

This paper has sought to address some of these hesitations and to suggest an alternative truth: that family capital is, in fact, ideally suited for impact investments due to "patient capital" being well suited to address urgent challenges, the flexibility of family investment structures, and the fact that families think in terms of generations, not quarters. In turn, impact investments are perfectly suited to families because they can generate financial returns, do so in a way that aligns with personally held values, and because families are uniquely positioned to influence change.

Imagine if families were to increase their share of the impact pie enough to create the ripple effect the world needs?

The impact opportunity speaks for itself.

Who's investing in impact?



Note: Other includes Insurance Companies, Corporate Foundations, Endowments (non-religious), Permanent Investment Companies, and Sovereign Wealth Funds.
Source: GIIN, 2022

PART 4

The $12 trillion investment opportunity



The $12 trillion investment opportunity

The Sustainable Development Goals: the $12 trillion investment opportunity

The Sustainable Development Goals (SDGs) are our blueprint for people, planet and prosperity by 2030, as well as a symbol of the aspirations held by people around the world for a better future.

According to a report by the Business and Sustainable Development Commission, achieving the SDGs could unlock $12 trillion in economic opportunities and create up to 380 million new jobs by 2030.[4]

1. Cascading crises put the SDGs at risk

The report shows that the SDGs are in grave jeopardy due to multiple, cascading and intersecting crises, predominated by COVID-19, climate change and conflict. They impact all the SDGs, creating spin-off crises in food and nutrition, health, education, the environment, and peace and security.

2. COVID-19 has had a devastating impact on the SDGs

The adverse impacts of COVID-19 across all the Goals are becoming clearer. In addition, the world is facing a very fragile recovery and COVID-19 is still far from over. The pandemic wiped out more than four years of progress on poverty eradication and pushed 93 million more people into extreme poverty in 2020. Disrupted essential health services resulted in a drop in immunisation coverage for the first time in a decade and a rise in deaths from tuberculosis and malaria. More than 24 million learners - from pre-primary to university level - are at risk of never returning to school.

3. Conflicts are destroying the lives of many and destabilising the world

We are witnessing the largest number of violent conflicts since 1946, with one quarter of the global population now living in conflict-affected countries. A record 100 million people have been forcibly displaced worldwide. The war in Ukraine is creating one of the largest refugee crises of modern time. In addition, it is causing food, fuel and fertilizer prices to skyrocket and fueling a threat of a global food crisis.

4. The vulnerable are being hit the hardest

Developing countries are battling record inflation, rising interest rates and looming debt burdens and many are struggling unsuccessfully to recover from the pandemic. Women, children and other vulnerable populations are also bearing the brunt of these crises. Women struggle with the



[4] The Sustainable Development Goals Report 2022

constraints of lost jobs and livelihoods, derailed schooling and increased burdens of unpaid care work at home. Child labour and child marriage are on the rise.

5. We are in the grips of a climate

Catastrophe and the window to avert it is rapidly closing. Increased heatwaves, droughts and apocalyptic wildfires and floods are already affecting billions of people around the globe and causing potentially irreversible damage to the Earth's ecosystems. In order to stave off the worst impacts, global greenhouse gas emissions will need to peak before 2025 — a mere three years away — and then decline by 43 per cent by 2030, falling to net zero by 2050. But, current national commitments do not meet this requirement and point to a nearly 14 per cent increase by 2030, instead of the sharp decline required to limit warming to meet the 1.5 °C target.

6. Data and statistics can light the way

The report also shows that we still lack timely, high-quality and disaggregate data to fully understand where we are and where we are headed. Investment in data and information infrastructure should be a priority of national governments and the international community.

7. SDGs are our roadmap out of crises and for our own survival

The severity and magnitude of the challenges before us demand sweeping changes and accelerated action on a scale not yet seen in human history. The stakes could not be higher. The road map laid out in the Sustainable Development Goals is clear. Just as the impact of crises is compounded when they are linked, so are solutions. When we take action to strengthen social protection systems, improve public services and invest in clean energy, we address the root causes of increasing inequality, environmental degradation and climate change.

The good news is that there are investment opportunities across the financial markets to answer these challenges. At Anthos, we have identified promising investment opportunities across the asset class universe including the public markets as well as the private markets.





Equities

Investing in publicly traded companies that are focused on creating positive social or environmental impact, such as renewable energy companies or sustainable agriculture companies.



Infrastructure

Investing in infrastructure projects that have a positive social or environmental impact, such as the construction of mass transit systems or the development of clean water systems.



Absolute return

Investing in absolute return strategies that employ techniques designed to create positive impact, such as by using long/short equity or activist investing to promote sustainable business practices.



Venture capital

Investing in early-stage companies with the potential to create significant social or environmental impact, such as companies working on solutions to global challenges such as climate change or poverty.



Real assets

Investing in physical assets that have a positive impact on society or the environment, such as renewable energy infrastructure or sustainable agriculture projects.



Corporate debt

Investing in corporate bonds issued by companies that have a strong track record of social and environmental responsibility, such as Patagonia, which has used the proceeds from its bond issuances to fund initiatives such as the preservation of natural habitats and the promotion of sustainable agriculture.



Government bonds

Investing in government bonds issued by countries that prioritise sustainability and social responsibility, such as the Republic of Seychelles' "Blue Bonds," which are used to finance projects that promote the conservation and sustainable use of the oceans.



Private equity

Investing in private companies that are focused on creating positive impact, such as through the development of innovative technologies that promote sustainability or the provision of essential services to underserved communities.



Social/environmental bonds

Investing in bonds issued specifically to finance projects with a social or environmental purpose, such as the World Bank's "Green Bonds," which are used to finance projects related to climate change mitigation and adaptation.



Private debt

This accounts for the largest asset class when it comes to impact investments. The set up of such instruments are well suited to long-term impact projects which can offer consistent and stable returns.

Case study: Learn Capital – an education technology venture capital fund

IMP score: C

SFDR: Article 9

SDG alignment: 4, 8, 10, 11



A conversation with Dimple Sahni, Managing Director, Multi-Asset Impact, Anthos Fund & Asset Management

Tell us about the investment?

Learn Capital is a venture capital firm that specialises in investing in the education technology sector. The firm was founded in 2008 and has since invested in a number of companies that have had a significant impact on the field of education. We invested in Learn back in 2015.

What are some companies in the portfolio?

Some of the companies in Learn Capital's portfolio include Coursera, Andela, and Duolingo, all of which have had a significant impact on the way people learn and access education.

Coursera, for example, is an online learning platform that partners with universities and other organisations to offer courses and certifications online. Since its launch in 2012, Coursera has enrolled over 90 million learners from around the world, offering access to education to people who may not have been able to access it otherwise.

Duolingo, a language learning platform, is another company in Learn Capital's portfolio that has had a significant impact on education. The platform offers courses in over 40 languages, and has been used by over 500 million people around the world.

Andela, as another example, is a global technology talent accelerator that provides training and job opportunities to software developers in Africa. Founded in 2014 and with offices across Africa including Nigeria, Kenya, Uganda, Egypt and Rwanda, the company aims to solve the global tech talent shortage by providing access to a pool of highly skilled and diverse software developers.

In addition to training hundreds of thousands of aspiring developers, Andela plays an important role in promoting gender and ethnic diversity in the tech industry, with more than 35% of developers being women and strong diversity, equity and inclusion in its hiring practices.

Why did you make this investment?

Learn Capital's long-term vision is to enable greater access to quality education for stakeholders across the world, thereby improving economic development. This fully aligned with one of our impact focus points: quality education. What's

more, Learn made sense on a financial, asset allocation, and impact basis.

Financially, the team had an impressive track record of delivering double-digit growth with previous funds. The business model to back technology-focused companies in rapid growth markets showed a promising growth trajectory. In terms of asset allocation, we were looking for a private equity investment to increase the diversification of this particular portfolio in line with our "all-weather" portfolio construction approach. In terms of impact, we were impressed by Learn' s methodology (aligned with IMP) and they scored highly on our own assessment.

Post-onboarding, their impact dashboard ensured we could monitor impact performance and engage with the team on progress surrounding the impact ambition as set out in their impact thesis.

What role have you played as a Limited Partner?

We encouraged Learn Capital to adopt key performance indicators to monitor impact: reach, intensity and performance. We also advised them to build the SDGs into their thinking. In turn, this helped them to build a dashboard to aggregate data and get a clear idea of the social return on their investments. One of the results is a better understanding of the link between financial growth and impact performance and the potential to maintain impact even after IPO or sale.

Why was this significant?

When it comes to impact investing, impact measurement is critical. Not only to measure what's what, but also to communicate success to investors and create confidence that it is an effective investment strategy.

As an asset owner ourselves, we want to be sure of our return on impact as well as return on investment. In turn, that should pave the way for other asset owners and investors to see the value of impact investments. That ultimately leads to scaling the impact we can collectively achieve.

"Education unlocks the door to social progress. It is vital to building understanding and empathy to deal with global challenges.

Supporting Learn Capital is fully aligned with our impact themes which translate into our values of sustainability, human dignity and good corporate citizenship"

Dimple Sahni, Managing Director, Multi-Asset Impact, Anthos Fund & Asset Management

So what?

- Can you think of investment examples for each asset class?
- Can you recognise the new business models or sectors that will create value in the future?
- Do you think you can spot the difference between a deep impact investment product and an ESG product?

Here are some ways you can use this information as tangible next steps:

First generation entrepreneurs, or current generation heads of families:

- Speak to your investment manager about impact opportunities across the asset classes you are invested. Do they equally believe there are many opportunities or are their views outdated? Guide them to consider exploring and engaging with opportunities and use this as a resource.
- Do you have experience in this particular asset class and do you know what success looks like? What would you need to do to get access to this type of asset class, e.g. hire an expert or specialist.
- Absorb more impact investment case studies and see how impact happens in different places. Speak to us to find out more in-depth studies and refer to the appendix for a good resource guide for more.
- Join networks and groups with other like-minded families to learn more about the sorts of impact case studies in the market.

Next generation wealth owners:

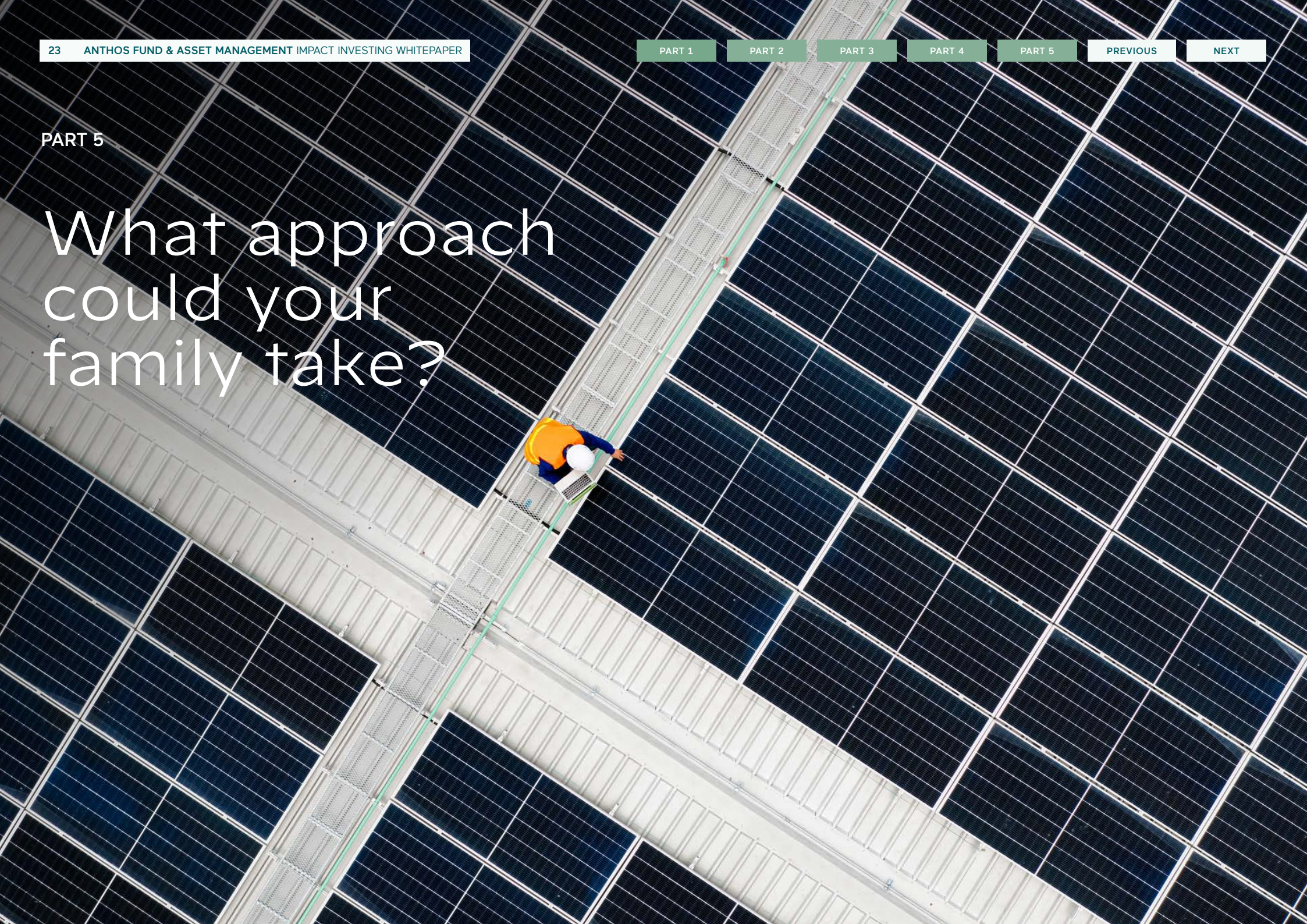
- Get involved with projects to understand how impact happens at the grassroots level. Offer your time, expertise, money, or voice to a cause you care about and consider what is driving impact.
- Absorb more impact investment case studies and see how impact happens in different places. Refer to the appendix for a good resource guide for more.
- Ask your financial advisor/wealth manager for impact case study examples if there are any. Ask what the difference is between ESG engagement case studies and true impact, referencing the IMP framework.

Financial advisors or consultants who work with families:

- Create a library of impact case studies ready to discuss with your clients. Explore the differences between ESG/impact and conduct further research to find out more.
- Do you have experience in this particular asset class and do you know what success looks like? What would you need to do to get access to this type of asset class, e.g. hire an expert or specialist.

PART 5

What approach could your family take?



What approach could your family take?

Of course, this really depends on what is right for each family and their unique circumstances.

This chapter lays out several of the typical avenues families take into impact investing.

1. Carve-out approach: easy and fast, but lacks strategy or direction. Capital exposed to several types of risk, and no clarity as to whether desired outcomes will be achieved.

2. Portfolio approach: strategic objectives, with various allocations dedicated to impact ranging from part allocation of a single portfolio to total AuM of several portfolios.

3. Anthos all-weather impact proposition: a multi-asset impact portfolio, diversified across asset classes, impact, geographies and time horizons, with a dual target of financial returns and measurable impact.

"As someone who has been actively involved in impact investing for many years, I can say with certainty that it has brought us a great deal.
It has provided a platform for us to express our core beliefs and values to the wider world, and to engage in meaningful dialogue with clients about what truly matters to them.

And let's not forget the financial benefits that it has generated for our clients.
We firmly believe in the unique position that impact investing occupies within the spectrum of capital. By focusing on risk-adjusted returns, we can build robust local platforms that generate repeatable and so sustainable impact.

This approach ensures that our efforts remain focused, and that we support communities over time. But let's be clear: impact investing is not easy. It requires a deep network, a significant investment of time and resources, and a continuous commitment to alignment and dialogue. Despite this, our experience has taught us that the rewards are more than worth the effort."

Edward Niehoff, Chief Executive Officer, Anthos Private Wealth Management

1. Carve-out approach

Not to be confused with the private equity term, a "carve out" approach simply means "carving out" a dedicated (often small) portion of capital to impact investments like funds or companies.

In particular, this is a great way for next gen investors to start somewhere and learn as they go. We encourage especially younger investors to take this option and start the steep learning curve now – not later. This will help them formulate their views and ambitions for when they are in a position to make more strategic decisions with larger sums of capital.

One of the key problems of a carve out approach, however, is the lack of strategy in place. The old adage of all eggs in one basket reigns true if investors go all in on one private investment or one niche impact fund.

The lessons we learnt

In the past ten years, Anthos has learnt many valuable lessons trying to stay on the forefront of impact investing.

We tried out direct investments, fund investments, and fund of fund investments to seek out the best risk/return/impact profile that would be suitable for our family stakeholder clients.
Many of our lessons learnt align with the risks associated with a carve out approach, where a higher risk/reward profile actually threatened to undermine the viability of the impact we could achieve through our investments. In other words, if we could not rely on a stable financial return, we couldn't comfortably allocate more capital to impact.

Figure 3: Carve-out approach

Source: Peter Brock, BeeWyzer TONIIC



Fund

Take a percentage of financial wealth and put it into a separate entity and;



Enterprise

Invest directly into social/ environmental impact funds without seeking to address social/environmental goals anywhere else in your portfolio.

The negative drivers included:

- Being opportunistic – being open to receive solicitations that broadly met our impact themes
- Focusing only on private assets – with long lock-in periods, no liquidity and no guarantee of success
- Prioritising catalytic impact-first rather than financial returns – taking risks that didn't pay off, or sacrificing returns so projects and impact could continue in challenging times
- Not taking active governance roles in LPACs – entrusting investees without playing an active role in their development – a "hands off" approach.

With a lack of strategy, financial performance was not where we wanted it to be with our impact investments so we focused on creating a portfolio approach that was far more strategic in nature and dedicated to optimising the risk/ return/impact profile we needed for our clients to feel comfortable with the performance.

2. Portfolio approach – three options to consider

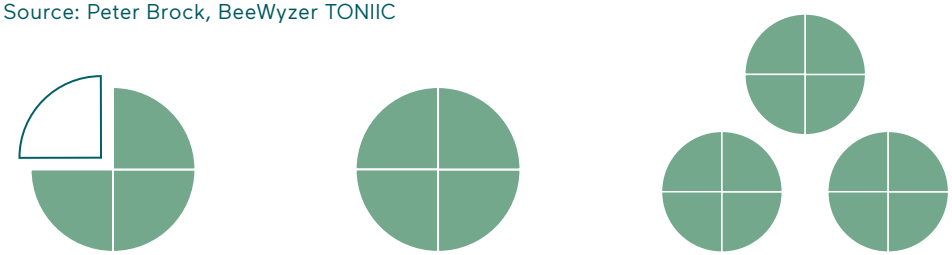
At Anthos, our platform includes impact portfolios 100% activated in pursuit of positive impact and financial returns, and we have the ambition to increase this impact allocation across other portfolios.

This did not happen overnight and we stress the commitment and dedication over the past more than ten years as we climbed the learning curve.

We share these developments to show the level of commitment required to build a credible impact practice. The fulfilment we've gained and the results we've arrived at are humbling, and we want to pass these lessons on to other asset owners in a position to take the strategic steps to develop their own impact practice.

Figure 4: Portfolio approach - three options

Source: Peter Brock, BeeWyzer TONIIC



Impact portfolio

Including all investments within a portfolio, although the portfolio is not committed to 100% activation

100% portfolio

Including all investments within a portfolio committed to 100% activation in pursuit of deeper positive net impact

100% AUM

Including all investments within a portfolio committed to 100% activation in pursuit of deeper positive net impact, and have made that commitment across 100% of investible assets

Milestones and lessons learnt

- Developing a fund that intuitively invests in impactful sectors as a starting point (without a point of reference).
- Hiring a specialist consultant to understand how to measure and manage impact.
- Building a vast network of relationships across the impact ecosystem and leveraging the power of the entire Anthos platform.
- Accepting concessionary returns in favour of impact to learn and experiment.
- Developing a proprietary impact due diligence methodology.
- Trying out a variety of formats including direct, funds, and fund of funds in order to optimise the appropriate risk/return/impact.
- Applying a strategic asset allocation and moving to a multi-asset approach to diversify risk, return and impact sources.
- Conducting a third-party impact audit with a specialist market-leading provider to better improve our approach.
- Actively contributing to the building of the impact ecosystem and becoming a credible thought leader in the space.

3. The Anthos all-weather impact proposition

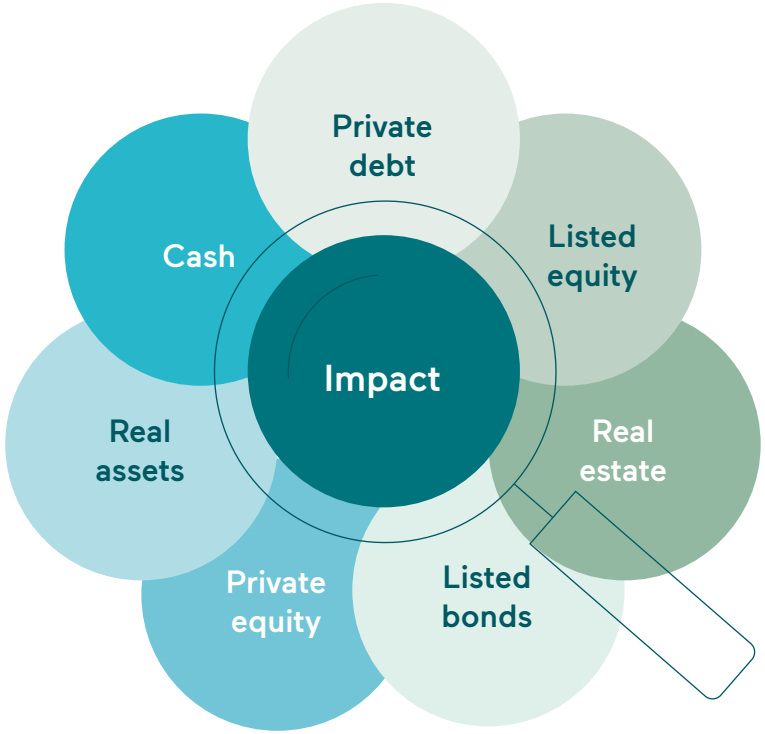
We strongly believe that each unique family has a unique contribution to make, which is why we encourage families to look past carve out strategies and towards more strategic, inclusive and total portfolio approaches to impact investing.

This takes time, which is why Anthos is offering an alternative for families to consider.

In 2022, we launched a commercial impact strategy that encompasses all of our learnings and experience in a multi-asset multimanager portfolio that aims for moderate financial growth and measurable impact.

We have made this strategy available to a select group of likeminded clients in a number of countries in Europe with the view to help families gain exposure to a strategic portfolio of impact investments ranging from public equities, to private debt, to venture funds to real assets. The strategy is able to invest anywhere in order to achieve its financial return and impact objectives.

Investors invited for consideration will gain exposure and experience in creating diversified sources of impact from day one, without the time-intensive and rocky route to building a portfolio from scratch. As partners, our ambition is to scale this impact with other families by the most effective means.



The Anthos impact investing strategy key features

- Targeting balanced financial return and impact return objective
- Values-based impact themes of rethinking economy, elevating people and communities, and protecting the environment
- Invests across all asset classes
- Proprietary impact measurement methodology that's asset class agnostic
- Strategic asset allocation
- All-weather portfolio construction with impact and financial diversification
- A balanced approach between developed and developing economies, where we see need for impact differently
- Ability to deploy capital through multiple assets addressing multiple impacts and mitigating risks through a diversified approach
- Autonomous governance with strong support from asset class specialists

Developing a theory of change

With this set up we see two types of impact in the real economy: systems change and grassroots level change. At a high level the hypothesis is that to have a "systems" level change investing in global or developed world listed strategies creates the opportunity to affect change while aligning with the impact of the bigger companies in the world. Yet, to maintain our commitment to "grass roots" level change, we would continue to invest in private markets with a preference for emerging markets to help empower small and medium enterprises (SMEs) in the fast growing economies in the world.

For those families wishing to be considered for this opportunity, there are some important criteria we look for:

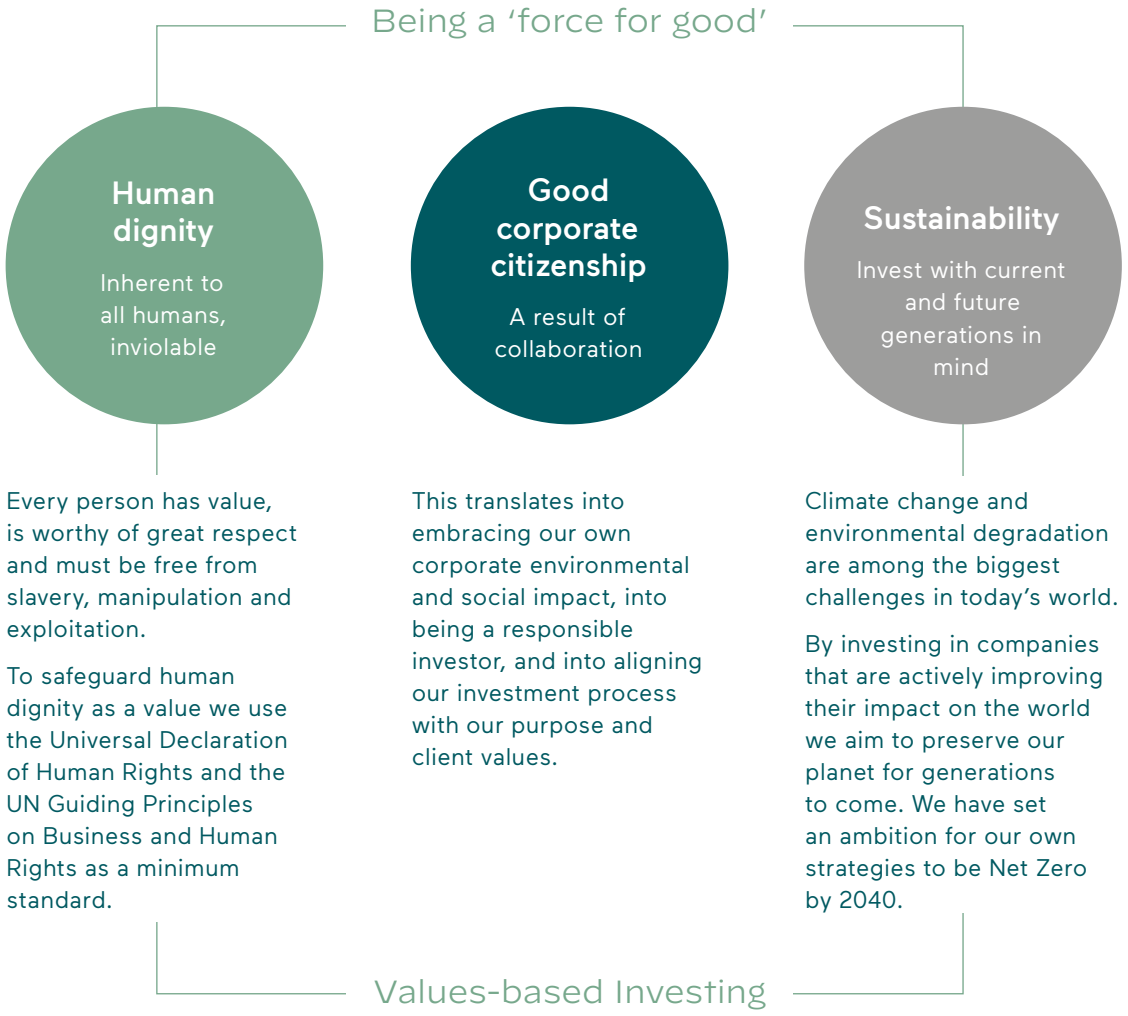
- Like-minded values;
- Long-term perspective;
- Be part of the ripple effect.

Like-minded values

Our values reflect those of our asset owners and are central to the impact investment thesis at Anthos. We consider our investors as thought partners and believe values-alignment ultimately leads to topics we equally care about. All prospective investors must care about and support the three values of sustainability, human dignity and good corporate citizenship, which in turn drive our mission to be a force for good in the world.

What being a values-based investor means for us

We invest in line with our three values



Long-term perspective

We are asset owners as well as asset managers with real ownership capital skin in the game. We are only looking for partners with whom we can learn and grow together.

When we think of the long-term, we recognise the frameworks and agreements enabling sustainable transition.

In our impact investment thesis, which would also be yours, we include this at our core by translating our three values into long-term impact themes that are mapped to the entire spectrum of SDGs.

Our company's values and the SDGs are in essence addressing the same, bringing a balance between meeting the requirements of what the present demands, while not overlooking the needs of future generations, and preserving the planet.

The beauty of the SDGs is that it allows everyone to contribute, and to attribute their contribution to a specific challenge, and by doing that it provides clear visibility towards the impact we have on our world.

Diana Wesselius, Managing Director, Multi Asset Impact, Anthos Fund & Asset Management

Why an all-weather impact approach?

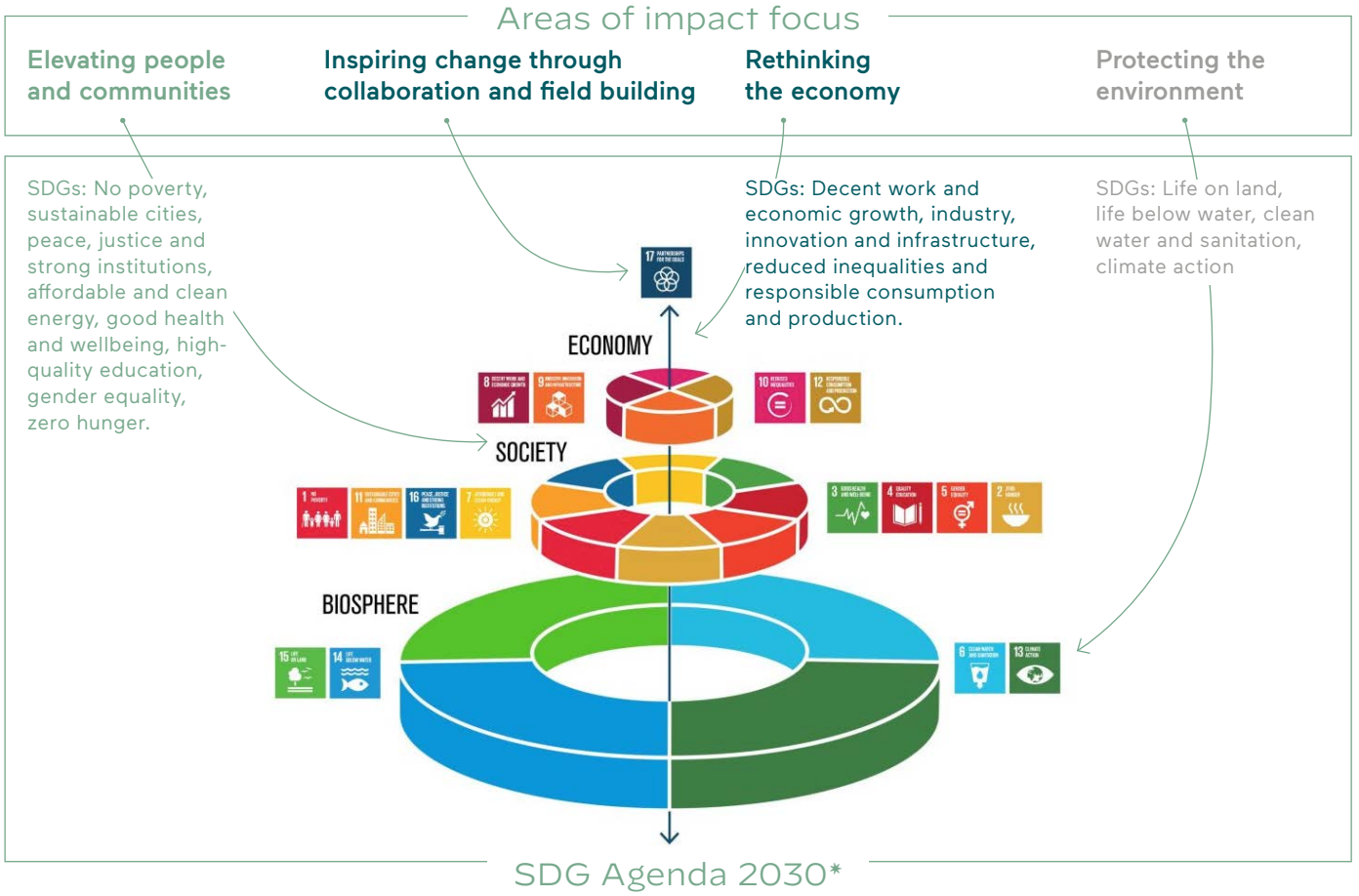


Figure 5: Anthos values, impact themes and the SDGs

*** Translating our values into impact themes in line with the SDGs. The *image is inspired by the Stockholm Resilience Centre's three-layer SDG cake.**

With its roots in the first family impact investing fund created in 2012, whose aim was to democratise impact investments across generations, genders, and geographies, we believe this strategy is particularly well suited to other families facing similar diversified needs.

We believe the breadth of the values and impact themes appeal to a broad audience and expose investors to the entire universe of impact from day one thereby starting the steep learning curve from which families can consider their own impact approaches.

All of the SDGs are important and deserve due consideration from investors. Focusing efforts singularly, in our view, misses the point that these are systemic issues that need holistic approaches to solve them.

Be part of the ripple effect

We began this paper asking families and their advisors to consider reallocating 1% of their wealth to impact investments as a starting point to create meaningful and lasting change.

Whether you decide to create your own impact practice, which is time intensive but the ultimate goal, or whether you decide to strike up a conversation with us, we would like to finish this series with the 1% we started on.

If banks and private investors were to allocate just 1% of their assets to impact, we could achieve the SDGs, according to estimates. Whether it's 1%, or one step, the most important way to start impact investing is to 'just do it', to borrow from Nike. This is how Anthos, on behalf of family stakeholders, did it many years ago. This led us down a long, challenging, and incredibly rewarding path into impact that's really only just begun.

What we now realise is that impact needs to scale if it's going to help solve societal issues. That's why we are inviting applications from other likeminded families eager to create greater impact, and why we encourage them to begin with committing a fraction of wealth first. The learnings will be invaluable, and the signal to other families will be clear.

That way, we create the ripple effect for impact investing to truly scale. Only then can we unlock the true power of impact investing, leading the way to meaningful and lasting change.

About Anthos Fund & Asset Management

We are Anthos Fund & Asset Management (Anthos), established almost 100 years ago.
It is our mission to provide comprehensive values-based asset management and investment advisory services to select, like-minded clients.

We take this mission seriously, because we have real skin in the game. A single family, the Brenninkmeijer family, has put their trust in our ability to help them preserve their wealth for six generations, and we believe we can do the same for others.

By creating all-weather portfolios, we steward capital through ups and downs to give our clients peace of mind. We refer to our end-to-end approach as **values-based investing** because we invest in line with our values of sustainability, human dignity and good corporate citizenship.
These values belonged to the Brenninkmeijer family, and we adopted them as their exclusive investment manager. We find ways to embed these values across our investment process where we believe incorporating environmental, social and governance (ESG) criteria is the right thing to do and leads to superior financial investment returns.

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For more info visit **anthosam.com**

Invest forward, inspire change.

Contact details

Anthos Fund & Asset Management B.V.
Jachthavenweg 111
1081 KM Amsterdam
The Netherlands
+31 20 621 3948

P.O. Box 7871
1008 AB Amsterdam
The Netherlands

anthosam.com

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Fund & Asset Management