SharedImpact®

Next generation impact investment

The SharedImpact Handbook for Impact Investors

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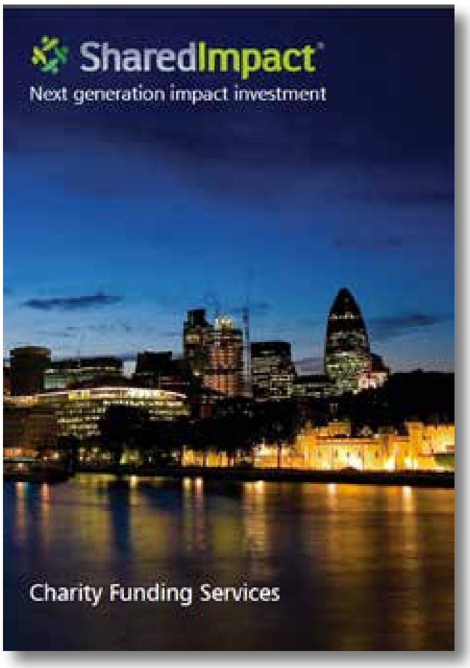
SharedImpact is a registered charity in England and Wales, No. 1145471
SharedImpact Foundation, Inc is a 501(c)3 charitable organization
SharedImpact Foundation (HK) Ltd is a Section 88 charity in Hong Kong

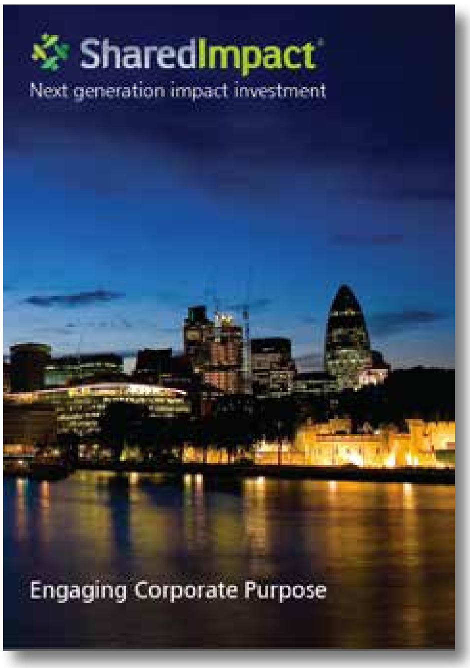
Portions of this document are based on an earlier work by Paul Cheng "The Three Models of Social Enterprises" published by Venturesome, 2008

Contents

Also available:



Charity Funding Services



Engaging Corporate Purpose

An Introduction to SharedImpact

Who we are

SharedImpact is a global network of charities created to foster social impact investment, by making it easier for donors, investors and charitable organizations to connect, give and receive donations. We do this by having presence in key financial hubs around the world, by using the SharedImpact Platform to manage donations and to showcase impact investment opportunities, and by providing platform-based fundraising services.

SharedImpact accepts donations for investment all over the world, and has independent charities in the following locations to ensure that donations can be managed in the most tax advantageous ways:

SharedImpact is a registered charity in England and Wales,
SharedImpact Foundation, Inc is a 501(c)3 charitable organization in the USA,
SharedImpact Foundation (HK) Ltd is a Section 88 charity in Hong Kong.

Our services

Traditional Donor Advised Fund

- Specializing in social impact donations.
- Tax and time management efficient DAF for managing donations effectively.

Impact Investment Donor Advised Fund

- For lending funds to social impact organizations.
- Donations are lent to charitable organizations, repaid and then lent again, effectively recycling donations to maximize investment returns before final donation.

Cross Border Donor Advised Fund

- Receiving donations and making donations internationally.
- Enabling donors in the host country - USA, UK, HK - to make tax deductible donations for the benefit of qualifying charitable organizations overseas.

Dual Qualified Donor Advised Fund

- Maximizing tax advantages between jurisdictions.
- Enabling donors to make tax deductible donations for the benefit of qualifying charitable organizations overseas, and receive tax advantages in both countries.

Philanthropic Platform Services

- Providing charitable organizations with hosted access to the SharedImpact platform and to 'white-label' versions to increase their efficiency and effectiveness.

Fiscal Sponsorship

- Fiscal sponsorship is often used by newly-formed nonprofits who need to raise money during their start-up phase, before they are recognized as tax-exempt by the IRS. Acting as their fiscal sponsor enables them to attract funds for their operations that will then be tax-deductible for their donors.

Who we work with

Donors and Investors

- Individuals, High Net Worth Individuals and Family Offices making social impact investments.
- Companies and organizations making investments in Corporate Purpose. Corporate Philanthropy Platform enabling two-tier managed corporate/individual investment.

Recipients

- Charities, charitable organizations and qualifying projects with social impact.

An Introduction to the Social Investment Market

At this embryonic stage of development, the social investment market is currently complex, opaque and often illogical in its behaviour.

SharedImpact seeks to address these deficiencies by providing a key piece of infrastructure to increase the transparency and efficiency of the social investment market.

A complex market

Over to one side there is 'pure' philanthropy - the world of grants and donations, and to the other, the commercial world of financial providers with a simple profit-seeking motive.

But impact investment is caught in the middle, with a 'mixed-motive' of seeking to obtain both social impact and a financial return on investment. This is often portrayed as a trade-off, where increasing one necessarily means a reduction in the other. However, such a relationship is far from clear: there are inevitable differences between organisations' business models, making comparison difficult. Furthermore, the trade-off concept implies there is only one type of impact being measured, whereas there are a whole range of impacts which cannot be compared against each other, let alone be cast against a financial outcome.

While the measurement of financial return is straightforward, there is now a growing industry being built up around the measurement of impact. It remains to be seen whether techniques can be developed both to measure and present such impact data in a way that allows sensible comparison when making investment choices - particularly between enterprises providing different levels and types of impact. This is further complicated by insufficient thinking by both social investors and investees around "social impact risk" - i.e. the probability that a social enterprise will, or will not, achieve the social outcome which it seeks. SharedImpact is working closely with researchers and business schools specialising in this field, to fast-track their expertise into practice.

As the social investment market grows, there is a danger that investors choose speed of growth over depth of impact. It is important, therefore, that social investment is seen as an approach - using different financial mechanisms and tools to achieve social goals. Furthermore, it is an approach that should have many different audiences, rightly reflecting the breadth of civil society and the social needs it meets.

A nascent market

As we have seen, the impact investment market sits between philanthropy - 'free' money - and commercial finance - 'expensive' money which is usually not on offer anyway to social-purpose organisations.

Within impact investment, there are a series of financial instruments seeking to fit the needs of different types of organisations and financial needs. These range from loans (secured and unsecured), through quasi-equity, equity and bonds, and as new products are introduced to the market they will need to find their place on this spectrum.

However, from a social enterprise's perspective seeking finance, the primary focus is simply on availability and cost.

Cost should be related to the financial risk. However, the market currently does not reflect this relationship, instead providing a confusing and inconsistent range of pricing, making it hard for social enterprises to access the capital they need.

These inconsistencies are likely to be eliminated with increased liquidity and transparency.

The nature of charities

Charities and social enterprises are chronically under-capitalised. For the most part, they find themselves limited to just one financial instrument – the charitable donation – and most of what they do is financed on a pay-as-you-go basis. This problem is further exacerbated by a widespread failure on the part of many charities to distinguish between revenue needs and capital needs (i.e. the strengthening of balance sheets). Working capital, in particular, is generally misunderstood and frequently confused with operating costs.

So the charity sector lives hand-to-mouth – and the sector looks more like a subsistence economy than a vibrant market.

This is in direct contrast to the way virtually everything else of value gets created. No one buys or builds a house without financing it. Almost every business, large and small, at least attempts to make prudent use of debt and equity. But charities are risk-averse, and frequently unaware of the broader range of financial tools that may be available.

As a result, because charities are under-capitalised, they struggle to achieve their social objectives, which in turn makes it less likely they will receive the resources they need. And so the cycle continues.

Social investment aims to put an end to this vicious circle.

Under-capitalisation

In strengthening their management, charities and social enterprises need to have a greater understanding of the financial products available to them. Funding is often cited as a major barrier to charities delivering on their mission. Providing access to capital, and choice in doing so, can free up charities to focus on the things that matter (i.e. delivering effective services to beneficiaries). Critical issues like strategic direction and impact too often take a back seat to the incessant drive to secure funds. To some extent, this lack of financial awareness is a consequence of the volunteer nature of so many charities, but it is also caused by the complexity and embryonic nature of the market as noted above.

However, those organisations which are aware of the financial options available, and are actively seeking funding, are frequently denied access to capital anyway.

At the commercial end, the banks are usually not interested in the sector. They are both unable and unwilling to take into account social impact. From their perspective, they simply see charities as poor business propositions with a bad credit risk. This attitude is made even more risk averse in a time of increased regulation where lending is generally constrained by the banks' own need to meet capital adequacy requirements.

Impact investment funds are clearly in a position to consider social impact, and to take a more nuanced assessment of risk (both financial and social impact risk). However, such funds are themselves generally short on capital reserves, and unable to fund all the fundable opportunities they see.

Idle philanthropic capital
In stark contrast to the issues of under-capitalisation, there is in fact an untapped wealth of under-utilised philanthropic capital.

This ranges from the endowments of foundations, forgotten trust accounts, or surpluses accumulated by some of the more prominent charities. In general, what they have in common is that the funds are irrevocably assigned for charitable use, yet are currently not being deployed for charitable use. Instead they are typically invested in the money markets, the stock market and hedge funds (i.e. deployed for purely commercial returns).

While this can be seen as pragmatic in the short-term (although in the current low interest rate environment and financial volatility, commercial returns have mostly been negative), over the longer term such deployment of charitable capital is hardly in the spirit of the original bequests (or in society's interests), and should be discouraged if suitable - similar risk/return - alternatives can be provided that allow that capital to be used in the sector for social impact.

Social investment is not accessible to retail
As the demand-side problems are solved, existing products are scaled up, and new products are introduced to the impact investment landscape, demand for financing will increase even further beyond that which the usual sources of foundations, philanthropists, and government can supply.

The challenge then becomes one of intelligently using existing sources of finance as a springboard to encourage new sources of funding to work in this sector.

A common refrain is that the ideal solution is to 'crack the retail market', but there is likewise a realisation that obtaining significant funding from the general public requires levels of marketing expenditure that make this inefficient. Although the general public is by far the largest source of donated capital (over £10 billion per annum in the UK), reaching this highly fragmented audience presents a classic marketing challenge.

However, organisations such as Kiva and JustGiving have demonstrated the viability of achieving scale in this space, and given the massive potential funding available, the general public is a source of funds that SharedImpact cannot afford to overlook if that audience can be reached efficiently.

In order to reach the retail market efficiently, you need to aggregate the needs of many charities and social enterprises so as to share the overhead and achieve economies of scale.

Until now, it has been impossible for individuals to engage with social investment unless they have at least £100,000 to invest. SharedImpact intends to remove this threshold entirely by radically re-engineering both Donor-Advised Funds and employee engagement programmes. So, for example, an employer may make a donation into a SharedImpact fund, split into small accounts in the name of each of their employees. By allowing individuals to manage funds provided by their employer, SharedImpact will lower entry thresholds to nil - thereby making social investment truly democratic.

Further reading

Read more in our online library:

www.sharedimpact.org/library

A Conceptual Framework for Investing in Social Enterprises

Introduction

Within the emerging impact investing market, the same words frequently mean different things to different people. In particular, the label 'social enterprise' can be especially problematic. In part, this is because there is no shared understanding of the underlying business models beneath the 'social enterprise' umbrella.

For investors, as the number of organisations labelled as 'social enterprises' proliferates, it is becoming increasingly urgent to agree, and then to adopt, a common methodology for disentangling the assessment of financial risk from the likelihood of an investment achieving social returns.

Others have already written about ways in which social enterprises may be categorised and described. We wish to contribute to this ongoing discussion by outlining SharedImpact's current thinking about this issue.

Here we introduce a conceptual framework which we hope both investors and investees will find useful as a guide to thinking through how different business models create social impact – and the consequences of this for generating financial returns.

The Social Enterprise Framework

We believe that there are three fundamental ways that social impact can be created through trading activities:

- **Model A** Engage in a trading activity that has no direct social impact, make a profit, and then transfer some or all of that profit to another activity that does have direct social impact (the 'profit generator model')

- **Model B** Engage in a trading activity that does have direct social impact, but manage a trade-off between producing financial return and social impact (the 'trade-off model')

- **Model C** Engage in a trading activity that not only has direct social impact, but also generates a financial return in direct correlation to the social impact created (the 'lock-step model')

It is important to note that these three models are statements of fact, not judgment. In abstract isolation, no particular model is better than or preferred to any other. In practice, a business adopting one model may produce better overall returns than an example of another model due to specific factors such as the quality of the management team, the market environment, or the strength of competing organisations.

Model A 'Profit Generator'

In this model, the trading activity itself is primarily seeking a financial return only. As such, it is deemed to have no direct social impact.

Of course, the trading activity may have desirable effects (eg creating employment) – but these are incidental to the predominant purpose of that trading activity (ie to make a monetary profit).

Only after a profit has been made is social impact possible. It can be seen, therefore, that a social investment in Model A involves two 'bets' – (i) that the business will in fact make a profit; and (ii) that the profit generated is then effectively used to achieve social impact.

In Model A, therefore, the financial risk of the investment is disconnected from the likelihood of achieving social impact.

Examples of Model A include (but are not limited to):

- for-profit businesses with community engagement programmes
- charitable foundations investing their endowments in mainstream financial markets
- trading subsidiaries of charities (eg Oxfam shops)
- ethical companies – which give a percentage of their profits to developing charitable projects (eg Patagonia 1% for the Planet, Google)
- a hedge fund which gives a slice of its profits to a charitable foundation (eg Pershing Square)

Model B 'Trade-off'

In this model, the trading activity itself does have direct social impact, but a balance has to be struck between generating financial returns and creating social impact. The firm could increase its social impact by decreasing financial returns, or vice versa. In other words, there is a trade-off.

Unlike Model A, social impact is integral to the very nature of the trading activity of Model B. Even if no financial return is achieved, some social impact will occur by virtue of the existence of the trading activity.

Furthermore, Model B firms may be capable of providing a risk adjusted commercial rate of financial return. For example, a Model B firm may be able to attract commercial investors with an acceptable rate of financial return, while at the same time achieving a level of social return which is acceptable to its other stakeholders. Such firms are, therefore, not necessarily riskier than Model A firms because other factors (financial or otherwise) may or may not increase the risk of Model A or Model B firms not achieving their financial and social outcomes.

Examples of Model B include:

- Grameen Bank
- fair trade businesses
- microfinance institutions
- firms that employ the disabled, ex-offenders or other disadvantaged people
- Divine Chocolate

TEST: Can you increase the social impact of the firm by decreasing the financial returns? If yes, then it is a Model B type organisation.

Model C 'Lock-step'

In this model, not only does the trading activity itself have direct social impact, but that social impact increases or decreases in lock-step and in parallel with financial returns.

Model C type firms are scarce, and it may be that outside of their discrete activity, there is a trade-off taking place, eg the visual impact of wind farms on rural areas.

Such organisations clearly operate in competitive markets – both with other Model C firms and with substitutional products, eg with a wind farm, coal-powered electricity generation.

The level of financial returns that Model C businesses are able to achieve may be acceptable to a fully commercial (financial return only) investor. However, it is likely that more Model C opportunities will exist where the financial return that is produced is below the risk-adjusted commercial rate. For example, organic food businesses fifteen years ago were Model C firms, but could not yet produce a commercial rate of return because the organic food market was still in early stage development. As such consumer markets mature and become mainstream, commercial rates of return become feasible.

It is important to distinguish Model C opportunities where the market is immature or below scale thereby giving rise to lower financial returns (e.g. because the consumer market is very niche, and scale of production is very low) from Model B opportunities where the financial return is being genuinely sacrificed.

Examples of Model C include:

- cooperatives
- wind farms
- Ben & Jerry's
- Whole Foods
- Aravind Eye Care Hospitals

TEST: Can you increase the social impact of the firm by decreasing the financial returns? If no, then it is a Model C type organisation.

Reflections on the Social Enterprise Framework

Social impact is integral to Models B and C

We believe that Models B and C fundamentally differ from Model A because the social impact of these firms is integral to the business model itself. In other words, even if a Model B or Model C type firm fails to achieve any financial return, it will still have some social impact by virtue of its trading activity (eg disabled people are employed, farmers in Africa do make more margin for their crops, the financially excluded do get access to capital etc).

At SharedImpact, we are regularly contacted by social entrepreneurs and organisations seeking investment in Model A businesses, where the profits (if any) are to be used to fund work with a social purpose. We are investors primarily seeking social impact (albeit through using instruments that provide a financial return), and so find Model A propositions more demanding to assess. In Models B and C, the risk of not achieving social returns is mitigated by the possibility of getting some money back. In Model A, no social return at all can be achieved until a profit has been made.

Striking the right balance in Model B

Model B businesses are managing a trade-off and this is a difficult task. These firms are often competing with rivals who pay less attention to their social and environmental impacts. This may give these competitors greater flexibility in their operations, which may be a source of competitive advantage for them. Model B type firms, therefore, need to be carefully managed, to achieve an acceptable balance between social and financial return for customers, investors, employees and other stakeholders/beneficiaries.

For example, some charities have found significant difficulty in managing the trade-off – one charity might withdraw from a local authority contract because it was loss-making and it wishes to renegotiate a fair rate of compensation for its service, whereas another charity struggling to manage the trade-off might persist with a contract at a loss and fundraise from its supporter base to subsidise the work.

Model B type firms are increasingly able to use their social or environmental impact as a competitive advantage, especially in consumer markets where a premium is now sometimes justifiable for such benefits eg organic food. However, this social/ environmental/ ethical stance does not always represent a direct benefit to the consumer of the product eg fair-trade goods, and so such trade-offs may be vulnerable to increases in consumer price sensitivity.

Nevertheless, Model B firms have the potential to change the market in which they operate to a point where the delivery of social impact becomes a barrier to entry in the market, For example, how many new premium coffee products in the past twelve months have not had a fair-trade or organic certification?

Model B businesses may continue to have a role in a market after the point where a social or environmental standard becomes the market norm – this role is one of benchmark or standard setter. For example, Triodos Bank was founded to offer a higher rate of bank interest to charities and community groups which at that time were paid rates and charged fees at commercial business levels. Triodos Bank has performed very well and has demonstrated a commercially viable model, which has attracted strong competition into this segment of the banking market, from other specialists and clearing banks. But it continues to play an important role in setting the standard for the fees and interest in the charity market – an important role at a time of increasing economic turbulence.

In the future, we may see more trade-offs made by mainstream businesses as the case for corporate social responsibility (CSR) shifts from being a moral argument to a business one, with both buyers and sellers having greater expectations for social, ethical and environmental impact. There seems to be a growing sense within the business community that, if approached in a strategic way, CSR can now become a source of a company's competitive advantage and innovation.

Separation of motivation from performance

Model A businesses are motivated by making a financial return, but they may not do so eg a solar energy company that makes a loss. Model A businesses may generate substantial profits but fail to deploy them for any social impact eg the grantmaking foundation which fails to spend even (say) 5% of its annual income.

Model B businesses are motivated to achieve a blend of financial and social returns and need to take a robust view on the balance between the two that they are motivated to achieve. However, they may not achieve a financial return and they may not achieve a social return eg (i) the manufacturing business that aims to employ people who have been unemployed for a long period, but staff turnover has been very high and the need to maintain production has led them to recruit staff already employed by other firms or (ii) the same business that is also losing money.

Model C businesses may be motivated to achieve a social impact or motivated to achieve a financial return; they may achieve either, both or neither, eg the community-owned wind farm project seeking to provide the community with renewable energy delivers to its equity investors an IRR of 12% pa. An example of a Model C business failure might be a local organic vegetable box scheme that goes bankrupt due to intense competition.

So, we may distinguish between the three models by looking at the motivation of management, governance, or investors in a business. But we believe that no particular model is inherently more profitable than another, nor does one particular model inherently deliver more social impact. We might design thematic funds focused on a discrete area of social need to help demonstrate this separation between motivation and performance.

Maximising the efficiency of capital

The Social Enterprise Framework as outlined above adds to the toolkit that social investors may draw on to analyse how the flow of capital can effect social change through market-based mechanisms (ie organisations with trading activities). Other commentators have described how charitable capital might be applied more efficiently for social impact by adopting socially responsible investment ('SRI'), mission-connected investment ('MCI') and programme-related investment ('PRI'). We believe that this framework helps investors to differentiate between potential investments with an apparent social benefit, and to think through the risks and returns of these opportunities.

Funders need not rely solely on investing in Model A businesses (financial risk of trading failure) then using the profits as grants to traditional charities (risk of not achieving social impact).The recognition of the existence of Models B and C allows a more optimal distribution of both (a) financial risk of trading failure; and (b) the risk of not achieving social impact, because the two risks are more closely connected.

A more efficient use of capital requires a better understanding of risks (to both financial and social returns) and subsequent matching of risks with investor expectations. If capital can be more efficiently invested (ie return on capital, social and / or financial can be improved) across all three models, then more overall social impact can be achieved with the same given level of investment. Of course, many social problems are not amenable to market-based solutions, and there will always be charities (with no trading potential) which require grant income for ongoing revenue and capital costs.

Grant money, particularly if unrestricted, is clearly precious. It will always have an essential role in the funding of civil society organisations and, of course, profit-generating activities will in turn be required to fund these organisations.

Yet grant-dependent charities will also be beneficiaries of a more holistic social capital market if philanthropic capital employed elsewhere is made to work harder. Or to put it another way, there should perhaps be a civic duty on those organisations that can earn income to do so in order to free up scarce grant money for those organisations that inherently cannot engage in trading activities. In this way, the supply of capital for social purposes may be increased.

Thinking differently about social impact

The traditional view is that charities address social problems and that businesses do not. Increasingly, however, businesses are coming to see the social impact dimension of their core activities as a key competitive differentiator.

Conversely, social investors who are in the business of investing money to achieve social benefits, are beginning to see that economic forces can shape social problems (through market failures, misalignment of price incentives etc). Such investors should be using a calculation of risk and reward which is different to purely commercial investors.

We might use the Social Enterprise Framework to shape a new debate around how social investors can focus on achievement of social impact through a variety of creative ways such as:

- leveraging additional, new money for social causes by reducing risk for third parties (eg using grant money to absorb first losses in a subordinated debt instrument)

- creating new financial instruments which share financial risk and reward (eg quasi-equity) or connect financial reward to achievement of social outcomes

- increase access to capital (eg by matching investors to different types and rates of return)

- stimulating the creation or development of a new commercial market based upon addressing societal needs (eg biodegradable plastic)

In the words of Jed Emerson and Mark Kramer:

> *"It is time to think anew. We must recognise that we are all part of a connected planet. The value we create through the trajectory of our lives, in the course of our workweek and our involvement in civic causes, is a blend of social, economic, and environmental components. We must search for ways to maximise all of those components simultaneously, not in juxtaposition, if we are to make a difference in the world."*

Examples of how to use the Social Enterprise Framework

Deciding to invest or not

The following illustrate how the Social Enterprise Framework might help shape a discussion around particular issues.

A grantmaking foundation (which is itself a Model A) has to decide whether or not to invest in a social enterprise. The social enterprise is operating a Model A business ie it seeks to make profit in a commercial market and give those profits to support its beneficiaries. Should the foundation invest?

Using the Social Enterprise Framework, the factors to be considered may include:

- Does the social enterprise support its beneficiaries effectively, regardless of the origin of the funds it uses to do so?
- How competitive is the market in which the business operates?
- Does the management team have sufficient skills to operate in that market?
- Are there non-financial factors in favour of investing in this business (for example, seed-funding the creation of a new market which has social benefits)?
- The ultimate likelihood of the social enterprise making profits greater than, less than or similar to the likelihood of the foundation making profits in its commercial investments?

Developing specialised portfolios

Arguably, each model of social enterprise requires a different approach to investment and monitoring. Fund managers could create specific funds focussing on a particular model type of social enterprise. Such funds would provide clarity of positioning for both investors and investees.

Focussing on outcomes rather than legal forms

A social investor's ultimate focus should be on an organisation's potential for social impact. The legal form which that organisation takes should be a tool in support of its ability to generate social impact. Legal forms such as a company limited by shares, a company limited by guarantee with charitable status, a Community Interest Company (CIC) or a limited liability partnership are merely means to an end. They do not necessarily imply actual social impact, any more than they imply business effectiveness.

The official UK Government definition of 'social enterprise' as "a business with primarily social or environmental objectives whose surpluses or profits are principally reinvested for that purpose in the business" misses the point.

An organisation might meet that definition and yet have no social impact at all.

An organisation that defines itself by its means of production and not the quality of its product is, at best, rather old-fashioned (and, at worst, a sham).

Thinking about consumer preferences in evolving markets

Model B type firms must trade-off financial and social returns. But could a Model B type firm transform into a Model C type firm over time?

For example, a clothing firm that pioneers the use of organic cotton is making a trade-off between financial and social returns. The firm could use non-organic cotton which would be cheaper, but less environmentally friendly (non-organic cotton crops represent one of the heaviest uses of pesticides in the world).

Suppose, however, that the market eventually changes so that consumers end up preferring to buy only organic cotton clothing (and are prepared to pay more for it)? In such a scenario, an 'ethical' clothing firm continues to use organic cotton and should make money by doing so. In short, it should have evolved into a Model C type firm (where financial and social/environmental returns move together in lock-step).

Knowing when to use commercial or philanthropic money

One potential danger for the unwary social investor is Model A type firms presenting themselves as Model C type firms – either knowingly or unknowingly.

This typically happens when a social entrepreneur is confused about how his business model actually works, and is anxious to attract all sources of funding (whether from fully commercial or entirely charitable 'investors').

In such situations, the Social Enterprise Framework may provide a useful guide so that the social investor may categorise a potential investment. Once the potential investment has been categorised, the investor is then in a position to think in a more structured way about the likelihood of achieving social and financial returns from the proposed investment – and whether or not commercial or philanthropic money should be used to make that investment.

Conclusion

At SharedImpact, we began to think about the Social Enterprise Framework as a result of our own confusing experience of working with social enterprises. We encountered a range of organisations solving social problems by trading in a market – some of whom did define themselves as social enterprises, others saw themselves just as charities and others just as businesses. This led us to think harder about what it was we were looking for in our investments (a blend of social and financial return, weighted towards social impact) and where we might invest to achieve this.

We believe that no particular model (out of the three models) is inherently more profitable than another. So, for example, a well-run Model B type firm may be more profitable than a poorly run Model C type firm. Both Model B and Model C type firms may make profits in certain markets, whereas a Model A firm may not make any profit at all.

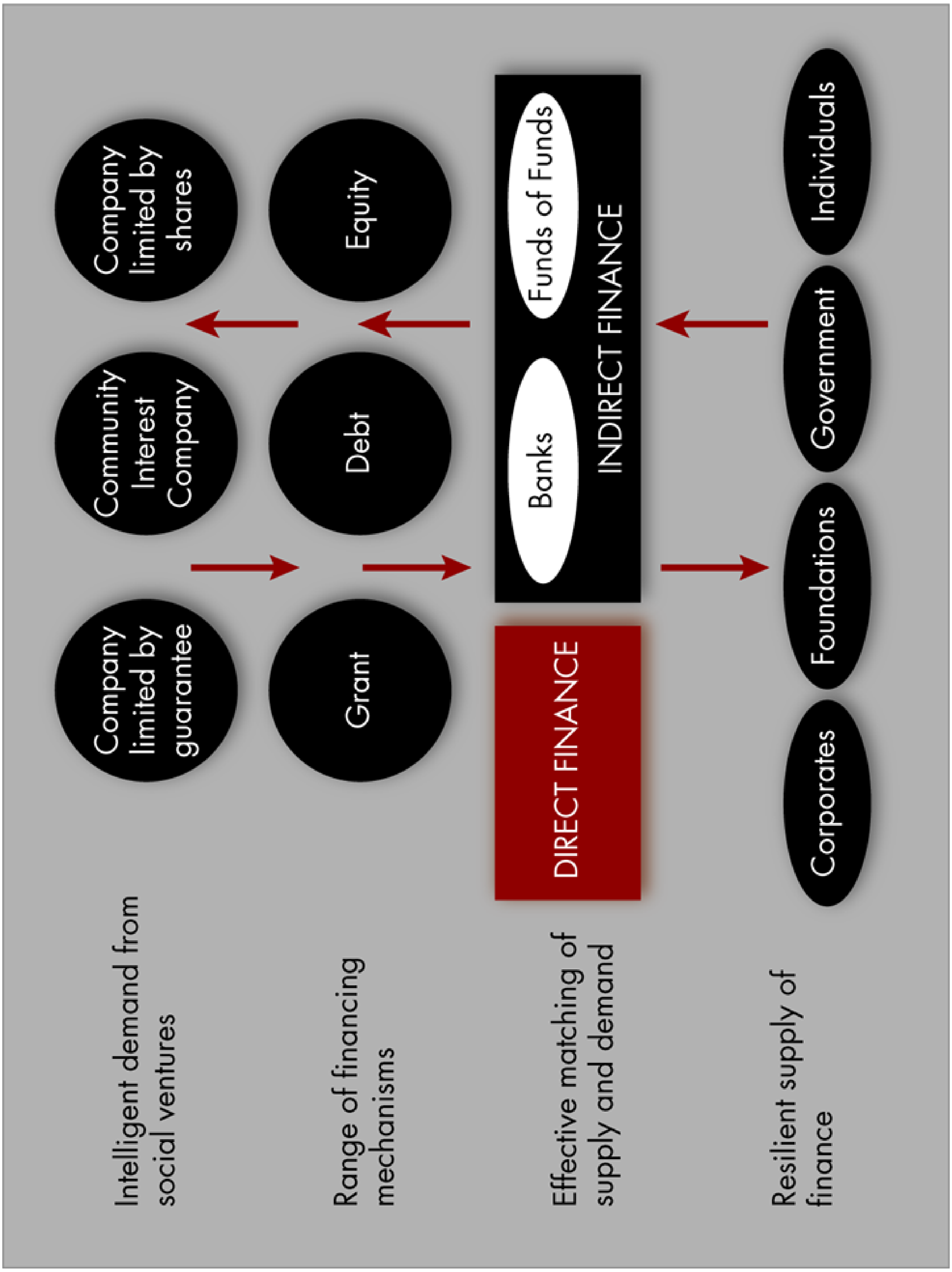
Equally, we also believe that no particular model is inherently more socially impactful than any other. Each model is merely a means to an end, and not an end in itself. As such, every 'social enterprise' should ultimately be judged on its actual impact.

The emerging social investment market is an exciting place, with new organisations and approaches appearing almost daily. We hope this framework is a useful contribution in:

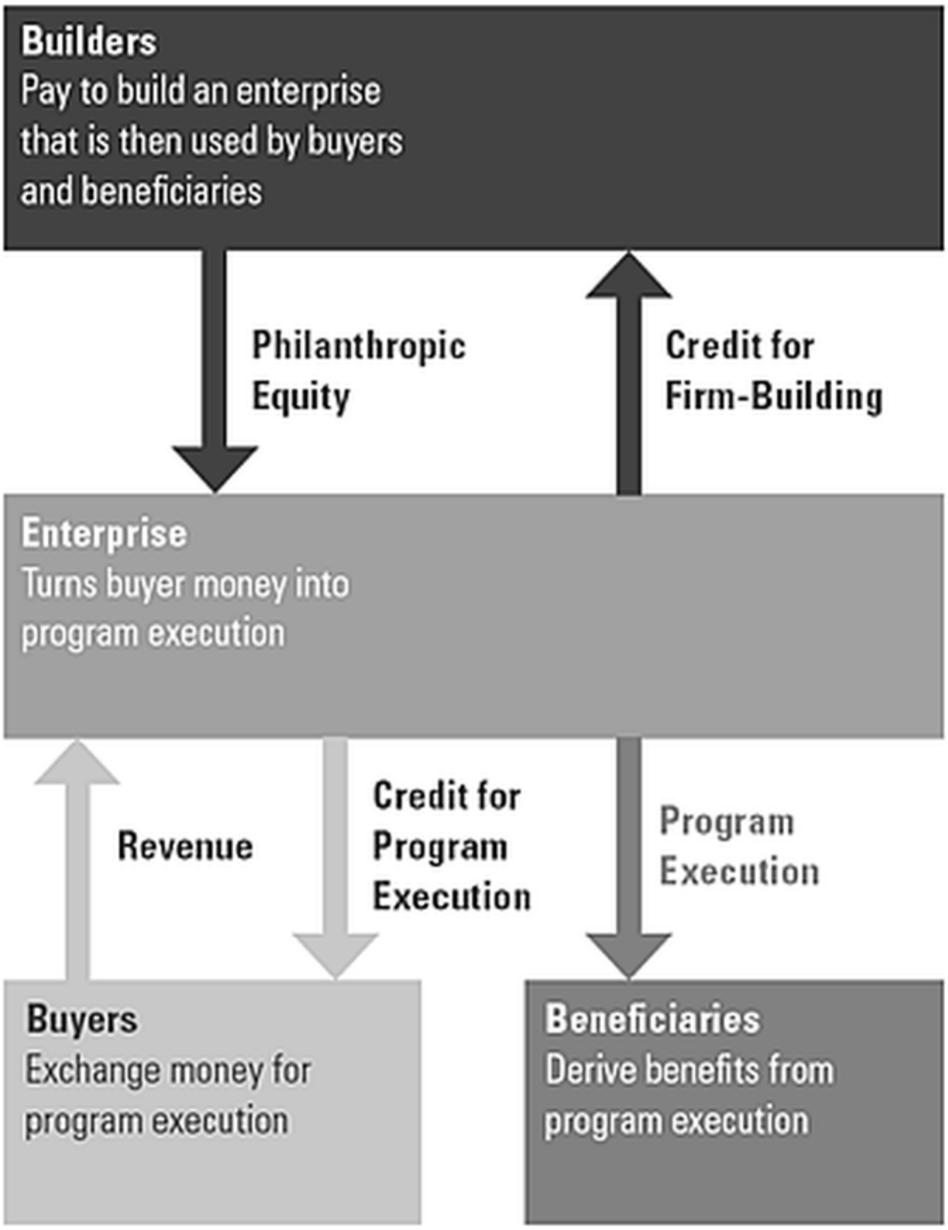
- helping to give some definition to that segment of demand that trades products and services.
- keeping the focus on the actual achievement of positive social change.
- guiding impact investors in their analysis of social enterprise business models.

Appendix: Diagrams

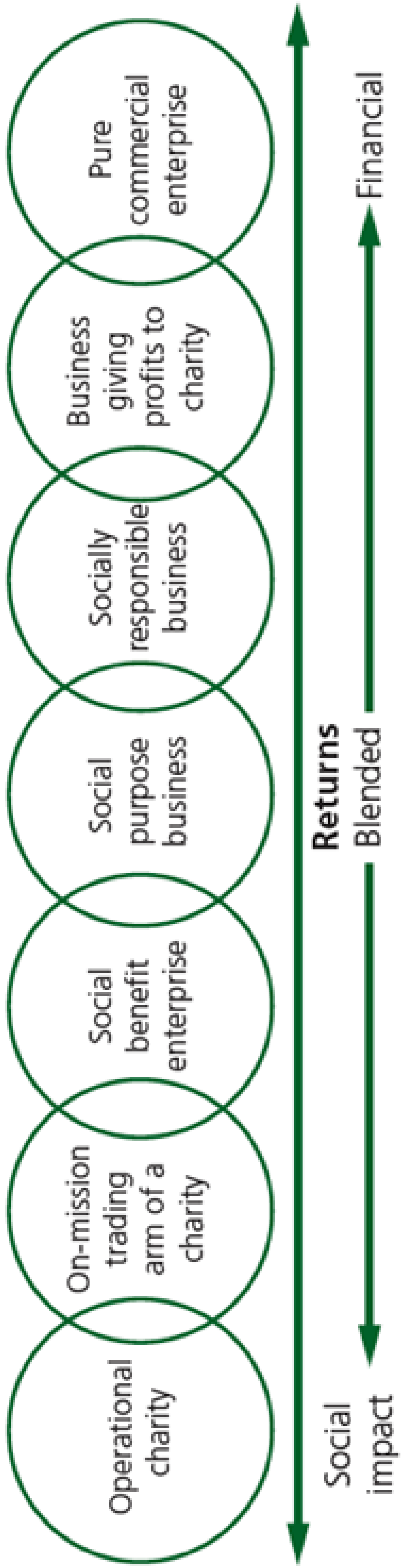
4 Essential Elements of a Robust Social Investment Market



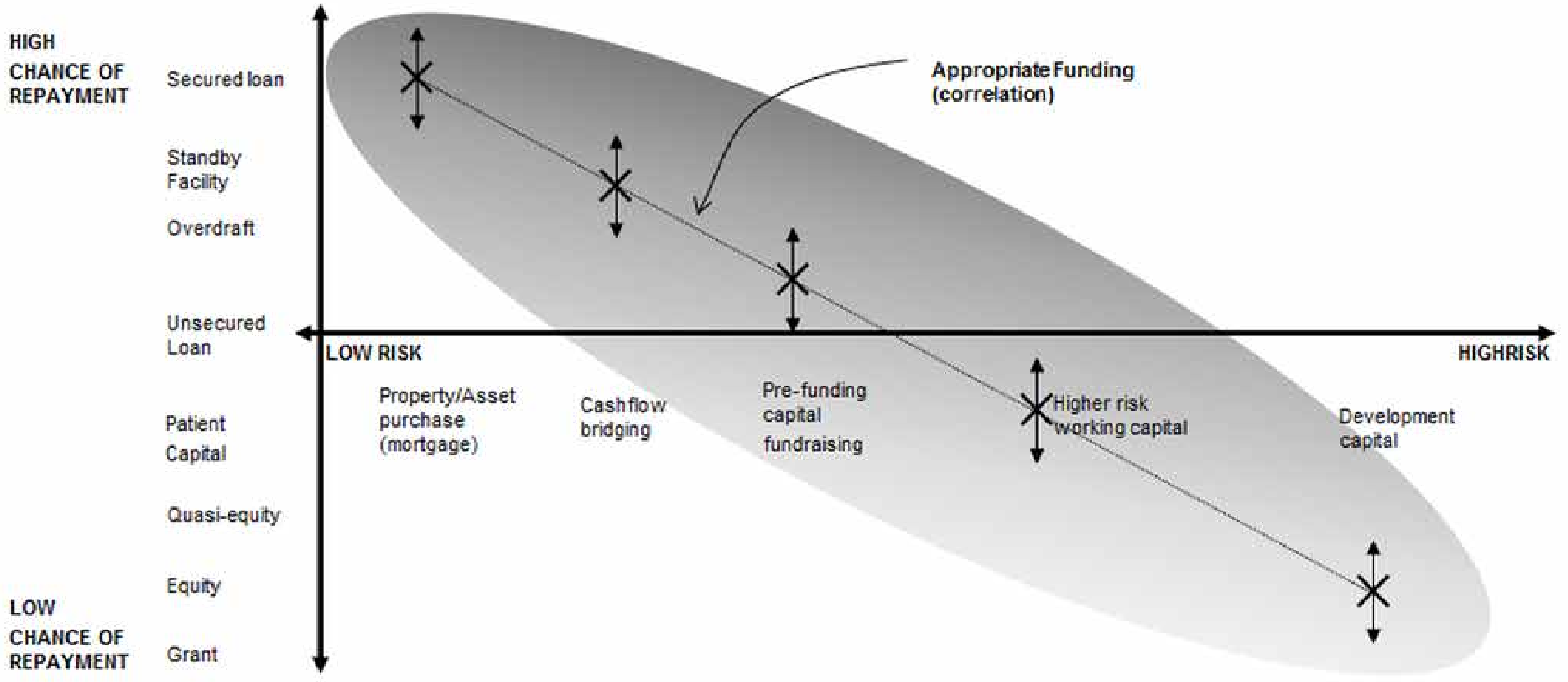
Philanthropic Equity vs Revenue Funding



A Spectrum of Organisational Models



Matching Financial Mechanisms to Funding Needs



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