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REYNDERS, MCVEIGH ROUNDTABLE:

HOW CAN BOSTON BECOME A HUB FOR IMPACT INVESTING?

Reynders,McVeigh Captial Management, LLC in conjunction with the Social Innovation Forum hosted a roundtable discussion that brought together entrepreneurs, investors, nonprofit leaders, and social advocates. Participants explored the elements required to solidify Boston's impact investing community and accelerate positive change. This paper reflects some facets of our discussion, and we look forward to seeking solutions for Boston's impact ecosystem through sustained dialogue and action.

Greater Boston has always been a hub for social impact. Massachusetts is home to more than 33,000 nonprofits and some of the world's elite universities, with a population that is consistently willing to take action on issues. That's why Reynders, McVeigh and our industry colleagues believe investing for impact should be front and center in Boston.

On the innovation front, there are a host of entrepreneurs and organizations focused on tackling social change at a local and national level through the rollout of progressive programs or technology. On the investment front, there is significant capital to be deployed: an active network of investors – from angels to venture capitalists to family offices – has spurred growth in sectors like cybersecurity and life sciences, with VC funding alone accounting for an estimated $6.2B in 2016.

In order for impact investing to become a more defined and approachable market that attracts a higher percentage of that capital, the community needs to address two critical components that go hand in hand. We must develop both a reliable system for measuring the wide array of preferred social outcomes and a range of dynamic investment models to match the different expectations of investors.

These are ambitious goals that will require a collaborative, cross-pollinating effort among innovators, advocates, and financiers.

In this context, our roundtable discussion shed light on how Boston can better attract a more sustainable flow of capital into impact investments. Participants identified three myths that are holding back solutions:

MYTH #1:
INVESTORS HAVE A SHARED UNDERSTANDING OF IMPACT

There is no simple definition of impact that applies to – or appeals to – all investors. This leads to capital sitting on the sidelines, held back by uncertainty around balancing the potential for returns with the potential for local or focused social impact. Those assets are often directed instead to broad themes including alternative energy and sustainable land management; such products are more easily defended as competitive and often fill the investor's "impact" bucket.

To better guide investors, it will be critical to provide more universally accepted but highly customizable impact mapping systems. Those deploying capital must be able to quickly understand how secure and effective their investment will be.

The challenge? The range of investor goals is as varied as the people who wish to engage. Some investors calibrate decisions in line with their commitment to a specific neighborhood or community, some support emerging technologies, still others seek greater conservation of natural resources. It is one thing to develop tailored criteria that shows social and financial returns for a manageable number of investors — but without unifying metrics that can be applied to different types of portfolios, we are unlikely to see exponential growth in well-informed impact investments.

TO BETTER GUIDE INVESTORS, IT WILL BE CRITICAL TO PROVIDE MORE UNIVERSALLY ACCEPTED BUT HIGHLY CUSTOMIZABLE **IMPACT MAPPING SYSTEMS.**

MYTH #2:
SUCCESS IS DEFINED BY A SINGLE STRONG EXIT

Private impact projects must be designed to satisfy investors on a number of fronts – and that does not always mean a "one and done" exit. Whereas some investors may be comfortable taking unusual risks for high potential returns in venture-type investments to improve communities or technologies for a better world; others are happy just having their capital used to make a difference and then returned so that they can invest in other good works.

Building models that encourage recycling capital is perhaps the holy grail of impact. Consider the tremendous opportunity presented by investments in low-income communities in Boston and around the country. Roundtable participant Boston Community Capital's (BCC) foreclosure relief initiative for example, injected new capital into communities from new sources.
Through its Stabilizing Urban Neighborhoods (SUN) program, BCC acquires property out of foreclosure and re-sells the homes back to the existing occupants. This allows residents to keep their homes, reduces turnover in neighborhoods, and provides a guaranteed rate of return for investors. The model proved stable and productive; it is now being expanded into Maryland, Rhode Island, New Jersey and Illinois.

Such stories demonstrate how thoughtful programs can attract investors, provide reliable returns, and make the case for recycling capital back into proven impact models.

MYTH #3:
THE IMPACT INVESTING COMMUNITY IS ALREADY FULLY UNIFIED

Participants unanimously agreed that the most powerful ecosystems are built on the backs of consistent growth that lend credibility to a movement. In Boston, the pace has been set over the years by software, pharma, and more recently robotics and marketing automation.

The social innovation community, however, has not been galvanized in a way that allows it to develop into a fully organized, cohesive ecosystem. Boston instead hosts a range of small organizations, small networks, and large entities looking to make a significant social impact without a full understanding of the regional landscape.

In order to become more cohesive, the community must rally around shared goals – such as measurement metrics and the design of investment vehicles.

> " WE WANT TO CHANGE THE STORY OF WHO HAS **ACCESS TO CAPITAL."**

Boston's concentration of investors, entrepreneurs, advocates, and supportive academic institutions can empower the region to develop programs with secure bottom lines and measurable social outcomes. Our role is to expand the universe of strong impact investments, accurately measure outcomes, and communicate success stories using a common language. As one roundtable participant succinctly stated, "we want to change the story of who has access to capital."

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