

## Teaching Impact Investing

[Shawn Cole](#) and [Vikram S. Gandhi](#) teach Investing for the 21<sup>st</sup> Century: Risk, Return, and Impact, an elective course at the Harvard Business School launched in spring 2018.

The course is taught as investing/finance course, designed to build on skills introduced in the first year finance curriculum, but with an emphasis on how and whether investors should incorporate what have traditionally been considered “non-financial” criteria in their decisions: for example, climate risk, environmental sustainability, minority representation on boards, and even the potential to create social good. Covering both public and private markets, the course presents rigorous approaches to business model assessment, valuation, transaction structuring and exits, as well as equity selection and portfolio construction. The course also explores incentives, decision-making, and the crucial problems and opportunities within the industry itself.

Below, we are happy to share materials from our course to support your teaching on Impact Investing or related topics. Please feel free to email Prof. Cole directly at [scole@hbs.edu](mailto:scole@hbs.edu).

A **description** of the course is available [here](#).

Our syllabus can be found [here](#). Details on each case including an overview, key themes and assignment questions can be found [here](#).

**We have also developed several supplementary materials (available through Harvard Business Publishing) including:**

- **Course Overview Note (219-005), “Investing in the 21<sup>st</sup> Century: Return, Risk and Impact”** provides a description of the course teaching objectives and organization and key themes
- **Background Note (218-072) “Introduction to Investing for Impact”** describes the size and state of the investment for impact market as of 2018. The Note also clarifies terminology and points out key open questions in the industry.
- **Background Note (218-083) “Examining the Case for Investing for Impact”** lays out the “cases” made for impact investing and examines the evidence for each.
- **Background Note (218-115) “Managing and Measuring Impact”** clarifies the dimensions of impact management and measurement and describes key considerations related to defining and measuring impact (including additionality, attribution and preference).

## Syllabus: Investing in the 21<sup>st</sup> Century: Return, Risk and Impact

MODULE 1 - Introduction	Case Number
<a href="#">OpenInvest: Democratizing Impact Investing?</a>	9-218-064
<a href="#">Omidyar Network: Financial Inclusion at Omidyar</a>	9-318-004
<a href="#">The Velux Foundation - Selecting Impact Funds</a>	9-819-021
Module 2 - Private Markets	
<a href="#">Blue Haven Initiative: The PEGAfrica Investment</a>	9-318-003
<a href="#">Environmental Technologies Fund (ETF Partners)</a>	9-318-001
<a href="#">Meridiam Infrastructure Africa: Madagascar Airports</a>	9-218-068
Real Deal Project: Overview and Important Information	N/A
Consuming and Producing Investment Memos: Examples from Impact Investing	N/A
<a href="#">DBL Partners: Double Bottom Line Venture Capital</a>	9-217-022
<a href="#">E + Co: A View from the Boardroom</a>	CU266
<a href="#">Banex and the No Pago Movement</a>	9-211-092
<a href="#">SKSMicrofinance</a>	9-217-069
<a href="#">Vox Capital: Pioneering Impact Investing in Brazil</a>	9-417-051
MODULE 3 - Managing and Measuring Impact	
<a href="#">Pi Investments</a>	9-317-039
<a href="#">Acumen and Lean Data 2018</a>	9-218-086
<a href="#">Root Capital and the Efficient Impact Frontier</a>	9-281-084
<a href="#">The Rise Fund: TPG Bets Big on Impact</a>	9-318-041
<a href="#">Social Finance, Inc.</a>	9-219-044
MODULE 4 - Public Markets	
<a href="#">Wellington Global Impact</a>	9-218-067
<a href="#">Generation Investment Management</a>	9-613-002
<a href="#">The Nature Conservancy and NatureVest</a>	9-219-055
<a href="#">JANA Partners: Impact Through Activism</a>	9-819-073
<a href="#">State Street: The Development and Growth of SHE</a>	9-317-040
<a href="#">Middlebury College: Energy 2028</a>	N2-320-029
Module 5 - Leading for Impact	
<a href="#">Morgan Stanley: Building Long-term Sustainability</a>	8-318-103
<a href="#">Mission Related Investments at the Ford Foundation</a>	9-220-026
<a href="#">Goldman Sachs: Making an Imprint on Impact Investing</a>	9-218-069
<a href="#">CalSTRS Takes On Gun Violence</a>	9-819-079
Wrap-up	N/A

Teaching notes are available for most cases; if not listed on yet on HBP please contact us directly.

## Case Detail

All cases and supplementary teaching materials including courseware and teaching notes are available through Harvard Business Publishing.

### OpenInvest ([218064](#))

**Introduction:** Welcome to "Investing for Risk, Return, and Impact." The first class will feature a case, OpenInvest, as well as provide a course overview.

OpenInvest is a San Francisco-based startup founded in 2015 that uses "Robo advising" to enable retail investors to customize their portfolio as per their individual preferences. OpenInvest seeks to combine the strengths of both index investing and personalized impact portfolios. Examples of the latter include a lower-carbon portfolio, or a portfolio that underweights firms associated with gun violence.

**Key Themes:** The financial cost (Sharpe ratio) of small screens is negligible. Proxy voting enables retail level engagement with companies and studies demonstrate proxy voting can influence corporate behavior. FinTech enables customization and democratization of "impact investing" that was not available even just a few years ago.

#### Assignment Questions:

1. Evaluate the OpenInvest business model. How does it compare to "traditional" Robo- advisors such as Wealthfront or Betterment?
2. Use the spreadsheet to evaluate how "values tilts" affect portfolio performance. How would you evaluate, more systematically, the financial performance of the OpenInvest approach?
3. How can OpenInvest effect change? Should socially oriented investor invest through OpenInvest as a means of achieving social impact? Why or why not?
4. Would you invest in OpenInvest as a business?

### Financial Inclusion at Omidyar Network ([318004](#))

**Introduction:** Before launching Omidyar Network (ON), in 1995 Pierre Omidyar founded the online marketplace that would become eBay. Following the company's initial public offering (IPO) in 1998, Omidyar became a billionaire and shortly thereafter, he and his fiancée Pam agreed they would use their newfound fortune in an altruistic fashion. Financial Inclusion at Omidyar Network goes behind the scenes of a pioneer and thought leader in impact investing. A team of investors at Omidyar Network shared two different investment possibilities in the budding financial inclusion space, using their investment framework to consider the opportunities available for both investments—each with highly divergent financial and impact potential.

**Key Themes:** Socially-motivated investors may choose to invest along a "returns continuum" in which, under certain circumstances, they are willing to accept below-market returns to achieve their social objective. For example, "market-building" creates social value but may not be profitable. In practice, this still requires extensive analysis of the financial and impact potential.

#### Assignment Questions:

1. What does and does not work well with Omidyar Network's investment framework?
2. Why is financial inclusion an important investment sector? How does it fit into Omidyar Network's investment framework?
3. Should MicroEnsure remain a grant investment, or ON make a more substantial equity

investment? How would changing MicroEnsure's investment structure impact its fit in Omidyar Network's investment framework?

4. Should Omidyar Network invest in Lenddo? Does Lenddo fit Omidyar Network's impact thesis, or is it merely an attractive financial investment that requires "impact rationalization"?

### **The VELUX FOUNDATIONS: Selecting Impact Funds (819021)**

**Introduction:** After much internal debate, the VELUX Foundations of Denmark have decided to allocate a small percentage of their investment portfolio to impact investments. Cambridge Associates, one of the leading investment advisory firms in the world, has been engaged to assist them in developing and implementing an "impact strategy". VELUX only invests in funds (as opposed to direct investments) and must now decide on fund selection criteria and on specific fund investment options that have been presented to them.

**Key Themes:** Multi-generational family foundations must navigate changes in preferences, goals and beliefs, particularly as new generations come into decision-making positions and may advocate for new strategies such as impact investing. Once a strategy is in place, selecting the right investments or funds requires extensive work. An advisor such as Cambridge can play a critical role in both building a strategy and supporting execution.

#### **Assignment Questions:**

1. Should VELUX have decided to allocate any part of its portfolio to impact investing? If no, why not? If they should what percentage of the portfolio and why?
2. Should VELUX have engaged Cambridge Associates? Assess the pros and cons of doing so.
3. What is your view of the implementation strategy that VELUX has developed. What do you like about it? What would you do differently?
4. VELUX has identified 4 financial criteria (Returns, manager experience, track record, and fund terms) and 4 impact criteria (Intentionality, scalability, additionally, and measurability) for fund selection. If you had to weight the importance of these 8 criteria by allocating 100 points across them (more important = more points) how would you do it?
5. Kristofferson is considering 3 strategies for fund investment - "Diversify", "Expand the Ecosystem" and "Prudent". Which strategy would you choose and why? Which fund(s) in Exhibit 5 would you invest in to implement your chosen strategy?

### **Blue Haven Initiative: The PEGAfrica Investment (318003)**

**Introduction:** In May 2017, Blue Haven Initiative (BHI) Co-Founder and Principal Liesel Pritzker Simmons and Director of Private Investments Lauren Cochran were deciding whether to participate in a Series B round for PEGAfrica, which sold solar home systems in Africa via pay-as-you-go (PAYG) financing plans that allowed customers to make small payments via mobile money to pay off the solar equipment over time. BHI engaged in direct and indirect investments that generated positive environmental and social impacts alongside healthy financial returns and had already invested in PEG's Series A round the previous year. Should BHI commit to the Series B round?

**Key Themes:** Investing in emerging markets (Africa) and emerging business segments (PAYG financing) poses many challenges to core investing activities such as financial projections, valuation and exit modeling. Family offices doing direct investing have unique capacities to be flexible, long-term partners

to companies absent formal capital markets.

**Assignment Questions:**

1. What do you think of the total portfolio approach? Is BHI's way of defining and measuring impact appropriate? What are the costs and benefits associated with that?
2. Is PEG's business model and strategy sound? What are the drivers of their financial performance? How are they driving impact? Assess the sustainability of their financial thesis? What are the risks?
3. Is the valuation of \$20 million pre-money reasonable? Please use the courseware provided to perform the following analyses:
  - Comparable Company analysis based on Revenue and EBITDA multiples
  - Discounted Cash Flow analysis
  - Valuation based on "Venture Capital Method"
4. Should BHI participate in Series B or not? Why? If so, should they provide the bridge, and in what form?

**Environmental Technology Fund Partners and E-Leather ([318001](#))**

**Introduction:** It is 2014 and Environmental Technologies Fund (ETF) Partners, a U.K.-based venture capital firm, has an opportunity to invest in a privately-held U.K. company that manufactured engineered composition leather extracted from waste leather using an environmentally-friendly process. The end product looked, smelled and felt like natural leather. Scalable marketplace adoption of E-Leather's products looked promising, but was just that— promising. And the company's success would largely depend on management's ability to significantly improve the efficiency of its manufacturing operations. ETF needed to figure out E-Leather's value, but the absence of suitable "comps" complicated the valuation process.

**Key Themes:** Financial and social returns are aligned when impact is integrated into the business model, such as the case with e-leather. However, this doesn't make the investment decision easy. Business model assessment, valuation and financial analysis are still key.

**Assignment Questions:**

1. How does E-Leather fit ETF's investment strategy?
2. Analyze E-Leather's business model. What are the key success factors? Potential Risks?
3. What is E-Leather's Enterprise Value? Please perform the following valuation analysis to determine a valuation range for E-Leather. (Courseware, valuation model with instructions provided)
  - Comparable Company analysis based on Revenue and EBITDA multiples
  - Discounted Cash Flow analysis
4. How should ETF structure a potential investment?
5. Should ETF assess the potential impact of E-Leather? If so how should they do it? If not why not?

**Meridian Infrastructure Africa: Madagascar Airports ([218068](#))**

**Introduction:** This case examines an asset class critical to global economic growth, but often overlooked in the impact investment space: infrastructure. We will examine the role an equity investor can play in in the context of a Public Private Partnership in Madagascar, one of the poorest countries on earth.

**Key Themes:** Public private partnerships can be an approach to sharing risk/value to finance large public assets. A focus on ESG may be a competitive advantage when bidding on opportunities and a source of risk-mitigation for these projects over the long-run.

**Assignment Questions:**

1. What is the appropriate target return? Adjust the model to find what you view as the most likely base case. What size should the project be, and what IRR does this base case yield. Is this a project Meridiam should get behind? What about the lenders (both commercial and development financial institutions)? And the government?
2. What financing structure should Meridiam propose?
3. What are the key risks and opportunities? Consider "bad" and "excellent" cases in the model. How does Meridiam do in these cases?
4. Evaluate Meridiam's ESG/impact strategy. Does it add financial value? As an impact-oriented investor, would you see the project (and MIAF more generally) as attractive?
5. How should Meridiam measure and communicate the social impact associated with this project?

### **DBL Partners: Double Bottom Line Venture Capital ([217022](#))**

**Introduction:** A pioneer in the venture impact investing, DBL now commands over \$400M in assets under management, delivering top quartile returns. This case asks students to critically examine and analyze DBL's investment strategy as it seeks to deploy \$400m, as well as evaluate a specific investment in a solar power company targeting low-income consumers in Tanzania.

**Key Themes:** Financial and social returns can be aligned so that there is no trade-off between impact and financial success.

#### **Assignment Questions:**

1. What is DBL's "edge" or special advantage in investing?
2. Exhibit 8 gives a template for a Second Bottom Line Report for a portfolio company--what do you like about it? What don't you like about it? How would you characterize DBL's social impact more generally?
3. Perutz states that DBL's approach makes "no sacrifice on financial returns" -- would you agree with the statement?
4. Is Off-Grid Electric a good fit for DBL? Based on the available information, would you suggest DBL should pursue it? What additional information (if any) would be necessary before you would support an investment?
5. How should government policy treat impact investing?

### **E + Co: A View from the Boardroom ([CU266](#))**

**Introduction:** E+Co, an award-winning impact investment focused on the introduction of clean-energy technologies in developing countries, made 287 investments totaling over \$45 million since its 1994 inception. However, in 2011 new board members Dan Abbasi, Russell Diamond, and Bruce Usher had concerns about the financial health of E+Co's operations. In this case, students will be asked to review qualitative and quantitative material from the organization's business plan in order to determine whether its business model was fundamentally flawed.

#### **Assignment Questions:**

1. What is the sustainability problem E+Co attempting to address?
2. What is E+Co's impact first model?
3. Is E+Co financially self-sustaining?
4. What is wrong with E+Co?
5. Can the model be fixed?

## **Banex and the No Pago Movement (211092)**

**Introduction:** BANEX, a microfinance bank in Nicaragua, once a darling in the impact investing space, is now in crisis, due to high loan defaults. This case examines how impact investors should consider financial and social returns in a situation of financial distress.

### **Assignment Questions:**

1. Think about what went wrong. Is there anything Grassroots Capital should have done differently?
2. The recapitalization plan involves investing an additional USD \$4.5m in BANEX. Should Paul DiLeo support the recapitalization plan?
3. Consider the initial motivation of parties investing in BANEX, and their current situation. Should the other equity and debt investors participate in the proposed plan?
4. What should be done to maximize the chances that a recapitalization plan succeeds?

## **SKS Microfinance (Abridged) (217069)**

**Introduction:** Today we will examine one of the fastest-growing microfinance organization in the world, SKS Microfinance. The first caselet examines the investment decision when Vikram Akula, seeks venture capital funding. The case centers around valuation, and strategic aspects of raising money. The second portion of class will discuss the eventual IPO of SKS, which Vikram Gandhi managed as Global Head of Financial Institutions for Credit Suisse.

**Key Themes:** Financial and social returns can also be aligned when capital is needed to scale high-impact solutions, such as the case of microfinance. At the same time, mixing financial and social objectives can cause conflict. Impact funds may need to pay particular attention to building positive relationships with community, NGO, regulators, government etc.

### **Assignment Questions:**

1. Evaluate the business model of SKS. Examine the branch valuation model attached, and propose a valuation for SKS. (Information on Free Cash Flow to Equity is available in the Berk and DeMarzo textbook used in FIN1). Please bring a printout of your valuation for both the branch and the enterprise.
2. What considerations should Akula take into account when selecting among the bids? What strategic advice would you give to the bidders?
3. Consider the evidence presented in Exhibit 7 of the second case, "Microfinance in India 2010- 2016." Does SKS create social value? If so, how should SKS convince the public that it is indeed doing so? How should the government regulate SKS?

## **Vox Capital: Pioneering Impact Investing in Brazil (417051)**

**Introduction:** Vox Capital was the first impact investing fund in Brazil, if not one of the first venture capital funds as well. Founded in 2009, Vox provides early-stage capital for companies offering innovative and scalable solutions to enhance the lives of low-income Brazilians, while aiming to simultaneously generate attractive market-rate financial returns for investors. This case examines the evolution of Vox Capital, across understanding the landscape, launching, raising funds, selecting investees, structuring deals, building investee capacities, tracking performance, developing internal systems, and advancing the field of impact investing.

**Key Themes:** Raising and managing an impact fund may require GPs to think differently about key strategic decisions such as, should you align employee incentives with impact? How do set fund measures of success? Does LP/GP alignment on impact matter?

**Assignment Questions:**

1. What is your assessment of Fund I performance from a financial and social impact perspective?
2. Who are Vox's stakeholders? What pressures did they place on Vox?
3. What investment and organizational processes and systems did Vox put in place to achieve its financial and social goals? How well did they function?
4. What changes should Vox make as it launches Fund II? Which investors should they approach? Should they change their financial and social impact goals or any of their organizational practices?
5. What should Vox do to build the Impact Investment Ecosystem in Brazil?

**Pi Investments (317039)**

**Introduction:** Pi was a large family office pioneering the concept of 100% portfolio impact investing. Tasked with preserving capital, generating moderate returns and advancing the family's social justice goals – Pi's Managing Director's had to identify appropriate products across asset classes. In this case, students will be required to assess an investment in HCAP Partners Fund III from the perspective of Pi and whether such an investment meets the family's core criteria.

**Key Themes:** Asset owners who invest through managers may have less control over whether their specific impact objectives are realized or not. However, direct investing is very costly. Diligence managers impact objectives, approach, reporting is important prior to investing.

**Assignment Questions:**

1. What is your assessment of a potential investment in the HCAP III Fund? Which bucket in the Pi investment framework do you believe this investment falls in and why?
2. Would you make an investment in the HCAP III Fund? If so, why and if not, are there performance metrics that HCAP could adjust which would make you change your mind?
3. Specifically evaluate the impact performance that HCAP has previously achieved. Do you agree with the metrics that are being measured? Should they be changed?
4. What is your assessment of the Pi Investment framework relative to other family offices? Do you think it will move the needle in terms of attracting capital to impact investing? Will it be able to have scalable impact on the communities that are being targeted?

**Acumen and Lean Data 2018 (218086)**

**Introduction:** Acumen Fund is a pioneering global venture capital firm with a dual purpose: it looks for a return on its investments, and it also seeks entrepreneurial solutions to global poverty. This case will examine the evolution of Acumen's impact measurement.

**Key Themes:** Impact investing faces the challenge of defining, measuring, and ideally attributing impact. Impact investors have to make decisions (and often trade-offs) around rigor, cost, depth, time etc. Often impact measurement is a burden for companies. Lean Data proposes that in the case of B2C companies serving lower-income customers, customer data may provide useful information on impact for investors while offering business-relevant data to investees.

**Assignment Questions:**

1. What would the perfect or ideal impact measurement tool measure?
2. Read Exhibit 1 carefully. What do you think of the Capabilities Assessment Matrix?
3. Read Exhibit 2 carefully. What do you think of the BACO approach?



Now consider the “Lean Data” approach, both as described, and in practice (Exhibits 6, 7, and 8).

4. What should Acumen conclude about its cook stove investments?
5. What are your views on the Lean Data approach?

### **Root Capital and the Efficient Impact Frontier (218084)**

**Introduction:** How do you manage a portfolio to optimize both return and impact? Is there an efficient frontier for any given strategy? Students will work in teams to generate optimal portfolios of investments in a simulation exercise based on real data from Root Capital’s portfolio of loans.

**Key Themes:** Creating an actionable way to quantify expected impact “ex ante” allows firms that are actively seeking to maximize impact within a given set of parameters a way to integrate financial and impact management.

#### **Assignment Questions:**

1. What do you think of Root Capital’s business model? What about their impact metrics?
2. Using the simulation data file, try sorting the loans by different financial and impact variables and see if any interesting patterns (See “Instructions”). Build the portfolios requested in the document. Bring these portfolios, and your laptop to class.
3. Evaluate this approach to loan allocation. How would you implement within Root Capital?

### **The Rise Fund: TPG Gets Big on Impact (318041)**

**Introduction:** It is March 2017 and TPG Capital, a global alternative investment firm with \$74 billion assets under management, is in the process of establishing its inaugural impact investing fund—the \$2 billion Rise Fund. In an effort to “take the religion out of impact investing,” Rise Fund CEO Bill McGlashan and Partner, Maya Chorenge have partnered with The Bridgespan Group, a nonprofit consultancy, to develop an evidence-based methodology for quantifying the impact of prospective Rise investments. Bridgespan’s framework generates an impact multiple of money (IMM); if an investment fails to meet the IMM threshold, Rise will not invest in it. As the Rise team considers making its first investment in EverFi, an educational technology company, McGlashan wonders: will his attempt to insert scientific rigor into impact measurement succeed?

**Key Themes:** The entrance of big-name players in impact investing is an opportunity but also a risk. TPG Rise is defending against that risk by developing a detailed algorithm to forecast and “underwrite” impact using academic evidence. This raises many questions about rigor, comparability, resources, false-precision, standards etc.

#### **Assignment Questions:**

1. Should the Rise Fund invest in EverFi? Why or why not? Please be prepared to support your view with detailed financial and impact analysis. If Rise should not invest, should TPG Growth III invest in EverFi?
2. What are the pros and cons of the IMM approach? What do you like about the approach? What would you do differently?
3. Analyze the perspective of the various stakeholders of the RISE Fund – TPG Management, TPG Growth employees, TPG Growth III LPs, RISE LPs, potential investee companies. What conflicts, if any, does the overlap between Rise and Growth present?
4. How should the whole area of impact measurement evolve? Should impact measurement reporting and management become as rigorous as financial reporting and management?

## Social Finance, Inc. (219044)

**Introduction:** Social Finance US was founded 2011 to bring the concept of the "social impact bond" (SIB) to the United States. SIBs were a novel, albeit complex financing instrument to allow private investment capital to fund and scale social service providers, wherein government repaid investors based on performance. Tracy Palandjian (MBA 1997) examines early successes, and grapples with how to design use investment capital to create social change.

**Key Themes:** The social impact bond is a unique financial contract that allows investors to fund social service organizations with the potential to earn a return. Returns, if any, are directly tied to impact. While a compelling and novel concept, there are many challenges and risks in execution for the service organization, government and investors.

### Assignment Questions:

1. How do the proposed Social Impact Bonds work? How are they different than a more traditional "pay for performance" contract between the government and a service provider?
2. Consider the proposed structure from the standpoint of the government, the social sector, and a private investor. What are the strengths? What are the weaknesses?
3. Going forward, which sectors should Social Finance target: Homelessness, Education, Recidivism, or others?
4. Consider the Income Sharing Agreements. Which investors should Social Finance target for these instruments?

## Wellington Global Impact (218067)

**Introduction:** In 2016, Wellington launched the first-ever public market impact investing fund. This case explores the process of building a new impact investing product within a leading asset manager. In addition, the case examines two fundamental questions about impact investing in public markets: Can an impact investing strategy in public markets generate alpha? And, how can you measure, manage, and communicate impact in a public markets context?

**Key Themes:** an impact investing (intention, measurement) strategy is possible in public markets, where "impact" as defined by Wellington having a close proximity to opportunities in neglected markets. Impact themes themselves are not highly correlated. Alpha, net of fees, remains an open question.

### Assignment Questions:

1. Describe the investment process for Global Impact - what are the steps?
2. In the investment process, what are the impact components, and what is more straightforward investing?
3. Looking at the data and returns so far, does Wellington have a solid argument for the ability of the strategy to generate alpha?
4. Can a constrained impact portfolio generate alpha? Why/why not?
5. How is Wellington seeking to actively drive or manage impact through their portfolio?
6. What is needed to attract more investors to the fund?

## Generation Investment Management (613002)

**Introduction:** By January 2020, sustainable investment firm Generation Investment Management (Generation), founded in London in 2004, had grown from a shared vision among seven founders to a 90-person firm managing \$27 billion in public and private equity. Throughout its history, Generation had worked towards its mission of seeking to generate superior financial returns by investing in sustainable companies that created long-term value. The case examines Generation's investment process in general, and in particular with respect to a global manufacturer of

agricultural equipment. It also examines some of the strategic decisions and challenges facing the firm.

**Key Themes:** Social and environmental themes may be both values-aligned and an “untapped” source of value in the public markets. However, defining and comparing impacts poses a challenge in execution.

**Assignment Questions:**

1. What is your assessment of Generation's investment process? What do you like about it? What are your concerns?
2. Should Generation remove John Deere from its focus list? Why or why not?
3. Has Generation been successful in pushing the world towards “sustainable capitalism”? What more should it or could it do?

### **The Nature Conservancy (219055)**

**Introduction:** Mark Tercek, Charlotte Kaiser, and the NatureVest team have spent almost a decade structuring investments in conservation. While proud of their work to date, the \$200M they have raised is insignificant compared to the billions experts estimate is needed to meet annual conservation needs. What role should investment capital play? What role should TNC play?

**Key Themes:** Impact investing is option proposed a new “tool” for socially-motivated actors to achieve their mission. While this appears to be the case for TNC, the work is resource and time intensive and also requires new skill sets and networks. This case also showcases multiple uses of “blended capital” financing structures.

**Assignment Questions:**

1. As the newly appointed CEO of TNC, how would you communicate the challenges and opportunities associated with impact investing to your team?
2. Pick one of the three investment deals highlighted in the case: Blue Bond; Impact Water Fund; and District Stormwater LLC. Analyze the deal from a financial and impact perspective.
3. Imagine you are an impact investor willing to take market rate opportunities, but also willing to consider below-market returns. If you were pitched a TNC project, what information or data would you want to receive to decide whether to invest in it or not? If we were a TNC donor, would your perspective differ?
4. What advice would you give to Kaiser, and the team regarding NatureVest?

### **JANA Partners: Impact through Activism (819073)**

**Introduction:** Jana Partners, a well-known “activist” hedge fund, has announced the launch of a new fund Jana Impact. The basic premise is that the fund will be able to generate superior returns by using Jana’s activist approach with companies that are underperforming on ESG metrics. The case examines the history of activist investing and Jana’s proposed approach in unlocking ESG value.

**Key Themes:** ESG and activism may in fact be a source of financial and impact alpha; however, the path from theory to implementation is still being tested.

**Assignment Questions:**

1. In your view is activist investing a source of value creation?
2. Do you agree with the opportunity Penner sees? Why or why not? Why is the opportunity

- different in 2017? What is your assessment of the Apple situation?
3. Analyze JANA Impact's investment thesis, strategy and approach. Is it compelling from a financial perspective? Impact perspective? What are your concerns?
  4. Who will invest in JANA impact? Would you?
  5. What recommendations or advice would you give Hanson as he prepares to launch the fund?

### **State Street: The Development and Growth of SHE (317040)**

**Introduction:** State Street Global Advisors was the investment arm of State Street Corporation, one of the largest custodians and asset managers in the world with over \$2.3 trillion in assets under management. Inspired by demand from a large pension fund client for better gender diversity investment products, SSGA had created the first gender diversity ETF in 2015. However, despite an auspicious launch, the ETF had yet to attract the level of institutional capital SSGA had anticipated. What should be the strategy to market and grow this important product?

**Key Themes:** ETF facilitates investing at scale on impact-related strategies, however the commitment to a "low tracking error" constrains execution on impact objectives. Alpha, net of fees, remains an open question.

#### **Assignment Questions:**

1. Evaluate the construction of the SSGA Gender Diversity Index. What does it help achieve and what are its shortcomings? How does it compare with other similar products outlined in Exhibit 6?
2. How would you attract more capital to SHE? Develop a marketing strategy and be prepared to present it in class. Please click on Exhibit 5 SHE brochure. Preview the document to view a clear version.
3. What should the role of ESG factors be in investment decisions? Should Institutional Investors and Family Offices attempt to influence ESG outcomes through their capital allocation decisions? Can they influence outcomes if they choose to so?

### **Middlebury College: Energy2028 (320029)**

**Introduction:** Not all social change happens with new organizations. Middlebury College is one of the oldest liberal arts colleges in the United States and its new President Laurie Patton faced the challenge of students calling for divestment from fossil fuels, trustees opposed to it, and a series of day to day administrative challenges that demanded her immediate attention. How does change happen in established institutions?

#### **Assignment Questions:**

1. Suppose you were leading Middlebury, and felt that divestment from fossil fuels was not an appropriate decision: What argument or arguments would you think are the most important? Which do you think would be most effective in persuading advocates of divestment?
2. Suppose you were a student seeking to persuade Middlebury's leadership to adopt a policy of total divestment. What argument or arguments would you think are the most important? Which do you think would be most effective in persuading advocates of divestment?
3. What should Middlebury do?
4. Should Harvard divest from fossil fuels?

### **Morgan Stanley: Building Long-Term Sustainability (318103)**

**Introduction:** By 2017, it seemed as though all major financial institutions were racing to position themselves as the leader in the fast growing sustainable investing market; yet what it would mean to

succeed remained ambiguous. This case examines the emergence of an “investing for impact” platform at a major financial institution following the financial crisis, including an analysis of core products: green bonds, ESG-based equity research, and a variety of advisory products.

**Key themes:** intermediaries have a tremendous impact on and influence in financial markets. While intermediaries are very good at responding to client demand, they have limited ability to promote their own agenda. However, even “incremental” change can be important from such an influential platform.

**Assignment Questions:**

1. What is your assessment of Morgan Stanley’s strategic approach to sustainability? What challenges does this strategy present?
2. Which business segment(s) and products present the greatest opportunity for scaling investing for impact? And for “democratizing” investing for impact?
3. How do green bonds work and what role do they play in scaling the investing for impact market? What are the opportunities or shortcomings presented by these bonds?
4. Where should Morgan Stanley prioritize further resources for “version 2.0” of its sustainability strategy? What should be its strategy in each business unit and how should it think about measuring impact.

## **Mission Related Investments at the Ford Foundation ([220026](#))**

**Introduction:** Darren Walker and his staff have been preparing for months to present the final proposal for Mission Related Investments (MRIs) to the Ford Foundation’s Board. Many well-respected investors as well as trustees of leading nonprofits had expressed uncertainty about whether MRIs were compatible with a board’s fiduciary duties. Darren wondered if his board held the same view.

This case will explore the process and structuring considerations that the Ford Foundation grappled with to set up their Mission Related Investment Program.

**Assignment Questions:**

1. How does the team get the Board to support the MRI program?
2. Are MRI’s in conflict with the Board’s fiduciary duties?
3. What risks and opportunities do MRIs present to the Ford Foundation?
4. How should an impact investment program be set up? Which asset classes, which impact themes?
5. What role should the board play? How should the board define and measure success?
6. Was \$1 billion the right amount to commit?

## **Goldman Sachs: Making an Imprint in Impact Investing ([218069](#))**

**Introduction:** In 2015, Goldman Sachs acquired Imprint Capital, a small but well-known impact investing advisory firm - a widely touted example of impact investing going mainstream. The case examines Imprint’s integration into the asset management platform at Goldman Sachs and how the approach to clients evolved post acquisition. Students will look at impact investing in the context of the asset management industry and explore portfolio construction strategies for the firm’s clients and explore the concept of mass customization for impact investing.

**Key Themes:** Acquisition of Imprint offered Goldman a unique and “authentic” advisory service in a fast growing segment. In the competitive world of asset management, the ability to help clients navigate and implement in this relatively new marketplace is valuable. However, working at scale means less ability to do client-specific work on small accounts.

**Assignment Questions:**

1. What was Imprint's objective? How did they try to create impact? Assess their original business model.
2. Why did Imprint agree to be bought? Do you agree with the decision?
3. Can Imprint create impact at Goldman? How did their approach to clients change? Assess the integration and model.
4. What should Goldman do next to drive impact?

**CalSTRS Takes on Gun Violence ([819079](#))**

**Introduction:** In Spring of 2018, Chris Ailman, CIO of the \$200 billion pension plan for California public school teachers (CalSTRS) was mandated by his board to “prioritize engagement with makers and retailers of firearms in California” following a series of gun-related tragedies in schools. While CalSTRS had a long history of engagement and even divestment, as a fiduciary for the retirement assets of current and future teachers, calls for values-motivated screening or divestment always posed an inherently complex challenge. Having spearheaded the development of Principles for a Responsible Civilian Firearm Industry released on November 14, 2018, what if anything, should Ailman and his team do next?

**Key themes:** As a public pension plan, CalSTRS operates in the context of a complex array of stakeholders, who from time to time push for divestment or other values-driven investment decisions. And yet, as a fiduciary, CalSTRS must carefully navigate the line between values and value. Engagement with a long-term horizon is a strategy that allows them to advocate for change and returns-driven shareholders.

**Assignment Questions:**

1. What are the pressures Ailman faces and from who? Why is his CIO role complex?
2. Do you agree with CalSTRS stance on divestment and engagement? Why or why not? What would you change?
3. Carefully read Exhibit 12? Would you vote for or against the shareholder proposal? Why? What is your assessment of the management response.
4. Consider the perspective of Ailman’s constituents (political, retirees, current teachers). Are the Principles the right use of CalSTRS resources and platform? What, if anything, should Ailman do next?