



IMPACT INVESTING IN THE U.S. AND THE FIFTH DISTRICT

IMPACT INVESTING is an investment strategy that finances companies, organizations and funds that generate a positive social or environmental impact, in addition to a financial return for the investor. While community development financial institutions (CDFIs) have historically funded socially impactful ventures, the term "impact investing" was coined in 2007 by the Rockefeller Foundation and impact investing has since grown into a more widely-pursued investment strategy. The net assets of investment funds pursuing an impact investment strategy have grown from \$12 billion in 1995 to \$4.3 trillion in 2014.

WHAT SECTORS DOES IMPACT INVESTING TARGET?



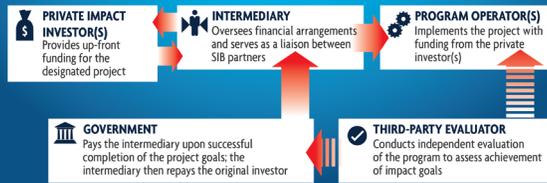
WHAT ARE THE STANDARD FINANCIAL INSTRUMENTS FOR IMPACT INVESTING?

TYPE OF FINANCIAL INSTRUMENT	Financial instruments for impact investment by number in operation in 2014:		Financial instruments for impact investment by share of impact investment value in 2014:	
	GROSS NUMBER	%	GROSS NUMBER	%
Community investing institutions (Community development banks, credit unions, loan funds)	880	43.6%	\$64.3 billion	1.3%
Alternative investing vehicles (Private equity and venture capital funds, hedge funds)	336	16.6%	\$224 billion	4.7%
Separate account vehicles	214	10.6%	\$432.9 billion	9.0%
Registered investment companies (Mutual funds, variable annuity funds, closed-end funds)	480	23.8%	\$1.94 trillion	40.3%
Other pooled products (Co-mingled portfolios for institutional and individual investors)	109	5.4%	\$2.15 trillion	44.7%
Total impact investing vehicles	2,019	100%	\$4.81 trillion	100%

% Percent of total financial instruments used for impact investment

SOCIAL IMPACT BONDS

Social Impact Bonds (SIBs) are financial instruments that use private investment to fund social programs and allow the government to delay repayment of program costs until after the achievement of pre-determined program goals. SIBs are a relatively new instrument for impact investing, and there is continued debate about how best to use this tool.



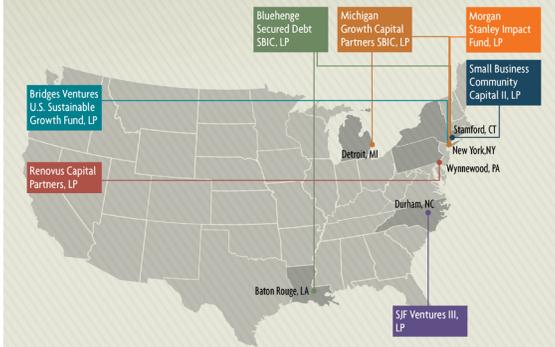
HOW DOES THE FEDERAL GOVERNMENT SUPPORT IMPACT INVESTING?

The U.S. government has a long history of encouraging private investment that supports public goals. Federal legislation such as the Community Reinvestment Act, tax credits such as the New Markets Tax Credit, and targeted initiatives such as creating a framework for equity crowdfunding all serve to encourage impact investing.

IMPACT INVESTMENT FUND (IIF)

The creation of the Small Business Administration's Impact Investment Fund in 2011 created a source of direct support for small business investment companies (SBICs) that pursue impact investing.

Impact SBICs supported by the Impact Investment Fund



SOCIAL INNOVATION FUND (SIF)

The Social Innovation Fund is run by the Corporation for National and Community Service (CNCS), a federal agency that supports impact investing in three priority areas: economic opportunity, healthy future and youth development.



WHERE IS IMPACT INVESTING HAPPENING IN THE FIFTH DISTRICT?

STATE	State-level benefit corporation legislation	IIF-funded investments	SIF-funded programs in 2015	SIB developments
DC	YES	1	12	DC Water and Sewer Authority received a Social Innovation Fund Award from the Harvard Kennedy School Social Impact Bond Lab
MD	YES	1	10	None
NC	NO	1	4	State of North Carolina received a Social Innovation Fund Award from the Institute for Child Success and issued a SIB Request for Information
SC	YES	0	10	City of Spartanburg received a Social Innovations Fund Award from the Institute for Child Success
VA	YES	0	3	The Virginia Pay for Success Council and the Virginia Department of Health received a Social Innovation Fund Award from Third Sector Capital Partners
WV	YES	0	3	None

For more information, visit http://www.richmondfed.org/publications/community_development

Sources
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 SIF Ventures III, LP, "State of North Carolina Issues Request for Information," 2015.
 State of Virginia Department of Health, "Benefit Corporation," updated 2015.
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