



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 416H1S

Investing for Impact

Winter 2015

Course Meets: Tuesday 4-6pm WW126

Instructor: Leeat Weinstock, *Off Campus*
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Phone: 416-722-4715
Office Hours: Tuesday 6-7pm WW126

Course Scope and Mission

Impact investing aims to create positive social and/or environmental impact alongside financial returns. With the proliferation of new players, approaches, financial instruments and evaluation tools, the field of impact investing has progressed quickly in recent years to tackle an array of social issues from energy to healthcare, from access to water to education.

The course is designed to be an introduction to impact investing: how the industry has emerged, why it is gaining prominence, and where it is going. It will explore its roots in microfinance, its influence on business and philanthropy, as well as key opportunities and challenges that lie ahead.

Investing for Impact will:

- Explore how a market-based approach can be leveraged to generate profits while positively impacting communities around the world
- Assess social enterprise models and their fit with impact investing strategies
- Examine measurement frameworks to evaluate the financial and social returns of impact investments and new business models
- Follow the life-cycle of impact investments from innovation and ideation to exit
- Consider new financial instruments and approaches across various asset classes, including the emergence of social impact bonds

Note: The course will incorporate a multitude of readings, case studies, videos and guest speakers. All required materials can be found online; cases can be purchased on the Harvard Business Review website. There is no required textbook to be purchased.

Course Prerequisites

- RSM222H – Managerial Accounting
- RSM333H – Introduction to Corporate Finance

Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he or she has command of the course materials.

<u>Work</u>		<u>Due Date</u>
Class Participation/Attendance	15%	Ongoing
<i>Individual Assignment</i>		
Case Analysis	15%	Start of Lecture 5
<i>Group Assignment</i>		
Written	20%	Start of Lecture 11
Presentation	20%	Lecture 12
Final Exam	30%	During Faculty of Arts & Science Final Exam period

Class Participation 15%:

Given the dynamic nature of the subject matter and its currency, active class participation is essential and will greatly enrich the course. Contributions to class should reveal a substantial familiarity with assigned readings, a capacity to analyze the issues and problems under discussion, and an ability to provide constructive and substantive feedback to classmates. Participation will be graded each week.

Individual Assignment - Case Analyses 15%:

The case will be announced in class and will be accompanied by a series of questions. It will be graded based on students' demonstrated understanding of concepts as exhibited by their analysis of case specific issues and problem. The write-up should be clear and concise and may include factual information or data from outside the case as long as sources are referenced accordingly.

Team Project and Presentation 40%:

In groups of 3-4, students will be required to identify a specific societal issue (i.e. healthcare services in Kenya, affordable housing in Toronto, access to clean water in India) and select a key player active in the industry (i.e. a fund, social enterprise or non-profit) that has significant potential for impact. Acting as the CEO of the selected organization, the group will write an investment memo (10-12 page report, double-spaced, Arial, size 11 font) and present an investment pitch to the class (i.e. acting as the investment committee) that include:

- Context and background of the societal problem and market opportunity
- Key innovation, product/service strategy, and/or business model being employed
- The expected social impact and the measurement frameworks used to evaluate returns
- Financial projections based on available data and realistic assumptions
- Amount and type of capital being requested, and use of funds
- Other relevant investment information (i.e. leadership team, target market, competitive landscape)

Final Exam 30%:

A final exam will consist of short case studies which will incorporate key principles of the course, assignments and team project.

Course Format and Expectations

To Use Turnitin.com:

Normally students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as

source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the university's use of the Turnitin.com service are described on the Turnitin.com website.

For Written Assignments:

Please note that clear, concise, and correct writing will be considered in the evaluation of all assignments. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre (www.asc.utoronto.ca) or one of the College Writing Centres (www.writing.utoronto.ca/writing-centres). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

For Group Work:

The final project and presentation requires students to work in teams of 3-4. Learning to work together in teams is an important aspect of your education and preparation for your future careers. That said, project-based teamwork is often new to students and you are therefore reminded of the following expectations with respect to behaviour and contributions to your team project.

1. Read the document entitled, "*Working in Teams: Guidelines for Rotman Commerce Students*" which is available on the RC portal under the Academic Services tab.

2. When working in a team, Rotman Commerce students are expected to:

- Treat other members with courtesy and respect;
- Honour the ground rules established by the team;
- Contribute substantially and proportionally to the final project;
- Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work; and
- Meet the project timeline as established by the team.

3. Resolving differences:

Conflicts can – and do – occur. Conflicts are part of the team's process of learning how to work together effectively and can actually generate exciting debate and creative solutions – if managed appropriately. Student teams are collectively expected to resolve disputes or misunderstandings as soon as they arise (and prior to submission of the final project). In cases where teams are unable to reach a mutually agreeable solution, the entire team must meet with the Rotman Commerce Team Coach --Nikoleta Vlamis, who can be reached at nikoleta@nikoletaandassociates.com -- as soon as possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

** For an appointment with a Rotman Commerce Team Coach, please contact Nikoleta Vlamis at nikoleta@nikoletaandassociates.com or Elaine Zapotoczny at elaine@nikoletaandassociates.com. Nikoleta and Elaine are highly skilled at facilitating team dynamics and collaboration. Note that the Team Coach's role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

Weekly Schedule

LECTURE 1: JANUARY 6, 2015

Introduction to Course and Concepts

The business and investment world has traditionally operated separately from the world of aid and social policy. However, many of society's greatest challenges require integrated solutions that successfully combine capital markets and philanthropy to generate positive impact.

This class will look at:

- The challenges to international aid and economic development
- The evolution of philanthropy and impact investing
- The attributes of impact investments and how they differ from traditional investments
- The role and potential of capitalism to create social value

Required readings:

- Investing for Social and Environmental Impact, Monitor Institute, 2009, pgs. 1-19
http://monitorinstitute.com/downloads/what-we-think/impact-investing/Impact_Investing.pdf
- Aid Ironies, by Jeffrey Sachs, Huffington Post, 2009.
http://www.huffingtonpost.com/jeffrey-sachs/aid-ironies_b_207181.html
- Sachs Ironies, by William Easterly, Huffington Post, 2009.
http://www.huffingtonpost.com/william-easterly/sachs-ironies-why-critics_b_207331.html
- Video: Mainstreaming Impact Investing, World Economic Forum, 2014.
<http://www.youtube.com/watch?v=dBydk09L9s>

Guest Speaker: Karim Harji, Co-Founder and Director, Purpose Capital

LECTURE 2: JANUARY 13, 2015

Microfinance & Value Creation at the Base of the Pyramid

The origins of impact investing can be traced back to microfinance - the provision of financial services to the poor. Over the last decade the microfinance landscape has evolved substantially with growth in the number and type of microfinance institutions and the breadth and diversification of products.

This class will look at:

- The roots of the modern microfinance movement
- The challenges and needs for financial inclusion at the bottom of the pyramid
- Characteristics that define microfinance surrounding loan size, interest rates, and more.
- A look at successful models which define the field, such as Grameen Bank and BRAC

Required readings:

- CGAP website (FAQs) <http://www.cgap.org/about/faq>
- Financial Inclusion and Development: Recent Impact Evidence, CGAP, 2014.
<https://www.cgap.org/sites/default/files/FocusNote-Financial-Inclusion-and-Development-April-2014.pdf>
- Beyond Lending: How Microfinance creates New Forms of Capital to Fight Poverty, by Fazel Abed and Imran Matin (BRAC), 2007. <http://www.mitpressjournals.org/doi/pdf/10.1162/itgg.2007.2.1-2.3>

Guest Speaker: Nigel Biggar, Vice President of Social Impact, SiMPACT Strategy Group

LECTURE 3: JANUARY 20, 2015

Commercialization & Challenges of Microfinance

From pension funds to government development institutions, foundations to investment banks, a vast and diverse set of funders have mobilized to commercialize microfinance. With billions invested, stakeholders debate how the industry can balance between commercial returns and social impact.

This class will look at:

- The reasons microfinance has attracted commercial capital
- Rates of returns & trade-offs in commercialization
- The challenges and limitations of microfinance as a solution to tackle poverty
- Case analysis of SKS Microfinance

Required readings:

- Microfinance or Loan Sharks? Grameen Bank and SKS Fight It Out, by Megha Bahree, Forbes, 2010
<http://www.forbes.com/sites/meghabahree/2010/09/21/microfinance-or-loan-sharks-grameen-bank-and-sks-fight-it-out/>
- Microfinance in Evolution, Deutsche Bank, 2012, pgs. 1-8.
<https://www.db.com/cr/en/docs/Microfinance-in-evolution.pdf>
- HBR Case: SKS Microfinance: The Sour Taste of Success, by Srinivasan Sunderasan, April 20, 2012

Guest Speaker: Mark Wensley, Microfinance Program Manager, The MasterCard Foundation

LECTURE 4: JANUARY 27, 2015

Social Enterprise and Impact Investments (across sectors, geographies and enterprise life cycle)

The social enterprise landscape encompasses a wide range of issues and sectors that affect our environment and low income communities around the world. Impact investors seeking to invest in entrepreneurs and businesses that address these challenges equally vary based on their impact, sector and geographic focus.

This class will look at:

- The current landscape of impact funds from impact-first to financial-first investors
- Examples of double bottom line business models addressing the same problem
- The range of impact investment and appropriate types of capital (grant, debt, equity) from seed stage to maturity

Required Readings:

- State of the Nation: Impact Investing in Canada, 2014, pgs. 19-29 and 53-67
<http://www.marsdd.com/wp-content/uploads/2014/09/Impact-Investing-in-Canada-State-of-the-Nation-2014-EN.pdf>
- Closing the Pioneer Gap, by Sasha Dichter, Robert Katz etc., Stanford Social Innovation Review, 2013
http://www.ssireview.org/articles/entry/closing_the_pioneer_gap

Guest Speaker: Jory Cohen, Managing Director, Youth Social Innovation Capital Fund

LECTURE 5: FEBRUARY 3, 2015

Impact Investments – Opportunities across Asset Classes

Impact investors, ranging from pension plans to not-for-profits, corporations to high net worth individuals, are investing for social impact across asset classes, including private equity, venture capital, fixed income, real assets, etc.

This class will look at:

- The continuum of opportunities in impact investment across asset classes
- Case analysis of Gone Rural

Required readings:

- Raising Capital: Equity vs. Debt, by Jill Coplan, Bloomberg Businessweek, 2009
http://www.businessweek.com/magazine/content/09_72/s0912030511552.htm
- State of the Nation: Impact Investing in Canada, 2014, pgs. 37-42 <http://www.marsdd.com/wp-content/uploads/2014/09/Impact-Investing-in-Canada-State-of-the-Nation-2014-EN.pdf>
- HBR Case: Gone Rural, Andre F. Perold, September 3, 2010

Guest Speaker: Tristina Sinopoli, Senior Associate, SVX and MaRS Centre for Impact Investing

LECTURE 6: FEBRUARY 10, 2015

Impact Investing Process I

Like traditional investors and fund managers, impact investors navigate through a similar investment process from deal generation to due diligence. The impact investment process is unique in its screening, evaluation and monitoring of social impact, amongst other factors.

This class will look at:

- The makings of an impact investment fund's strategy, structure and sources of capital
- How impact investment deals are sourced, screened and evaluated
- How due diligence in impact investing differs to that in traditional venture capital investing?

Required readings:

- TONIIC E-Guide to Early-Stage Global Impact Investing, pgs. 4-27, <http://www.toniic.com/toniic-institute/early-stage-e-guide/>

Guest Speaker: Hyewon Kong, Associate Portfolio Manager, AGF Management Limited

LECTURE 7: FEBRUARY 24, 2014

Impact Investing Process II

Required Readings:

- HRB Case: Omidyar Network - Pioneering Impact Investment, by Michael Chu, January 2013

Guest Speaker: Lise Birikundavyi, Investment Analyst, Sarona Asset Management

LECTURE 8: MARCH 3, 2015

Impact Measurement and Evaluation

Standard impact metrics are vital to the growth and maturity of impact investing given the complexity and diversity of the enterprises and industries in the space. I.e. How does an investor compare the social impact of an investment in sustainable agriculture in Ghana to low-income housing in Pakistan?

This class will look at:

- Rationale and challenges to standardized impact measurement frameworks
- Theory of change to define impact
- Current measurement tools available in the marketplace

Required readings:

- Measuring Impact, G8 Social Impact Investment Taskforce, 2014, pgs. 5-9 and 13-14
<http://www.socialimpactinvestment.org/reports/Measuring%20Impact%20WG%20paper%20FINAL.pdf>
- Unpacking the Impact in Impact Investing, Stanford Social Innovation Review, 2013
http://www.ssireview.org/articles/entry/unpacking_the_impact_in_impact_investing
- State of the Nation: Impact Investing in Canada, 2014, pgs. 68-73 <http://www.marsdd.com/wp-content/uploads/2014/09/Impact-Investing-in-Canada-State-of-the-Nation-2014-EN.pdf>

Guest Speaker: Karlee Silver, Vice president of Targeted Challenges, Grand Challenges Canada

LECTURE 9: MARCH 10, 2015

Innovations in Impact Investing: Social Impact Bonds

The first social impact bond was introduced in the UK to reduce recidivism of short term inmates at Peterborough Prison. Since then, similar models have gained traction in the UK, US, and Canada.

This class will look at:

- How social impact bonds work (i.e. features, stakeholders, returns etc.)
- Recent examples of social impact bonds in practice targeting recidivism, homelessness etc.
- Criticism of social impact bonds

Required readings:

- Invest in social change (video), by Toby Eccles, TED, 2013
https://www.ted.com/talks/toby_eccles_invest_in_social_change#t-6210
- A New Tool for Scaling Impact: How Social Impact Bonds can Mobilize Private Capital to Advance Social Good, Rockefeller Foundation, 2012, pgs. 4-13
<http://www.rockefellerfoundation.org/uploads/files/655fab01-83b9-49eb-b856-a1f61bc9e6ca-small.pdf>
- Getting Back More Than a Warm Feeling, by Caroline Preston, New York Times, 2012
<http://www.nytimes.com/2012/11/09/giving/investors-profit-by-giving-through-social-impact-bonds.html?pagewanted=all>
- Social bond: Saskatchewan tries new way to finance single mothers in need, by Sarah Boesveld, National Post, 2014 <http://news.nationalpost.com/2014/05/23/social-bond-saskatchewan-tries-new-way-to-finance-single-mothers-in-need/>

Guest Speaker: Adam Jagelewski, Associate Director, MaRS Centre for Impact Investing

LECTURE 10: MARCH 17, 2015

Shared Value: How Companies are Investing Funds and Resources for a Double Bottom Line

“The principle of shared value lies in a company’s ability to create economic value in a way that also creates value for society by addressing its needs and challenges. Shared value is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success by doing good”

Michael Porter

This class will look at:

- The concepts of shared value, and double and triple bottom lines
- Case analysis of Nestle Agricultural Material Sourcing

Required readings:

- Creating Shared Value, by Michael Porter and Mark Kramer, Harvard Business Review, 2011.
<https://hbr.org/2011/01/the-big-idea-creating-shared-value>
- HBR Case: Nestle - Agricultural Material Sourcing Within the Concept of Creating Shared Value, by Ray Goldberg and Lorin Fries, December 7, 2012

Guest Speaker: Shama Ahmed, Manager of Financial Education and Social Finance, TD

LECTURE 11: MARCH 24, 2015

Leadership and the Future of Investing for Impact

Impact investing is transforming how we align financial and social returns. The field is gaining traction amongst governments, institutional investors, not-for-profits and a new generation of leaders committed to addressing global poverty through business. What is next for the industry?

This class will look at:

- What does the impact investing field need to accomplish in order to become mainstream
- What skills and attributes are needed to drive the impact investing sector forward
- How can students apply their business knowledge to advance social good

Required readings:

- Give Impact Investing Time and Space to Develop, by Sasha Dichter, Harvard Business Review, 2014
https://hbr.org/2014/03/give-impact-investing-time-and-space-to-develop/?utm_source=Socialflow&utm_medium=Tweet&utm_campaign=Socialflow
- Leadership: Do traits matter? By Shelley Kirkpatrick and Edwin Locke, 1991
<https://sites.fas.harvard.edu/~soc186/AssignedReadings/Kirkpatrick-Traits.pdf>
- The Danger of a Single Story (video), by Chimamanda Adichie, TED, 2009
http://www.ted.com/talks/chimamanda_adichie_the_danger_of_a_single_story.html

Guest Speaker: Amanda Minuk, Co-Founder and CEO, Bmeaningful.com

LECTURE 12: MARCH 31, 2015

Group presentations

Guest Judges: Michael Craig, Director of Finance & Impact, Fio Corporation, Paul Nagpal, Partner at Strateva Partners and Abigail Slater, Director of Barlow Lane Holdings Limited

Policy and Procedure

Missed Tests and Assignments (including midterm examinations)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. Verification of Student Illness or Injury form) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a report of illness made by the student and documented by the physician. A make-up test will be delivered for individuals who do not write the exam.

Late Assignments

All assignments are due at the beginning of class on the date specified in the course outline. Late submissions will normally be penalized by 20% if the assignment is not received on the specified date, at the specified time. A further penalty of 5% will be applied to each subsequent day.

Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: disability.services@utoronto.ca or <http://www.accessibility.utoronto.ca/>.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

The University of Toronto's Code of Behaviour on Academic Matters: <http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document.

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTMail+ email address. You are responsible for ensuring that your UTMail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Blackboard and the Course Page

The online course page for this course is accessed through Blackboard. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at www.portalinfo.utoronto.ca/students and review the Frequently Asked Questions.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Blackboard materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.