A Game-Changer for Impact Investing

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By Plum Lomax

There was a real buzz in the room last week at the launch of NPC's latest report *Investing for impact*—our review of the impact of the KL Felicitas Foundation's (KLF) impact investment portfolio. KLF are a California-based foundation that has committed its entire assets to social and/or environmental impact. The excitement was perhaps not that surprising—it's not often you get true pioneers, such as KLF's Charly and Lisa Kleissner, sharing their stories so openly and energetically (and I guess their non-British presentation style helped!).

The foundation was selected last year as one of NPC's *10 innovations in global philanthropy*, and I think—having reviewed the impact of both their investment portfolio and their efforts to build the impact investing ecosystem—their place in the top 10 feels rightly deserved.

For the past six months NPC has been working with the Kleissners, lifting the bonnet of their investment portfolio. They have invested $10m across all asset classes, in 43 companies and funds operating in a multitude of sectors including: conservation projects in North America; an off-grid energy company bringing clean cook-stoves to Ghana, India and Uganda; and a fund providing financial and technical assistance to independent media businesses around the world.

Our work complemented an earlier study in 2013 conducted by KLF's investment advisors Sonen Capital, which published the financial performance of KLF's impact portfolio. This demonstrated that it was possible to achieve market-competitive returns while pursuing social impact.

We faced many challenges in this project—including the varied quantity and quality of data provided by investees and issues of attribution and aggregation. But we developed a new framework in the process—NPC's Impact Assurance Classification, which enabled us to compare investments within the portfolio based on their impact. Each investment was classified into one of four stages according to: the extent to which they measure and report the work they do; how that fits in with its aims; the change it is making; and the harder questions of causality and additionality—ie, proof that the organisation's work is directly responsible for that change.

Not surprisingly for a diverse portfolio that has been built up over eight years—at a time when impact investment opportunities were few and far between—we discovered a wide divergence of impact practices among the investees. However, we hope that this kind of framework might help improve impact measurement within the field, perhaps encouraging investors to support their investees in the process. We suspect it might affect investors' behaviour too—it will be interesting to see if KLF's future investment decisions change as a result of these learnings.

But the aim of the report wasn't just to see what KLF has achieved. The report provides practical tools and guidance for other impact investors to apply to their own portfolio. Our Impact Assurance framework is designed to enable other investors to plug in their own metrics and allow for comparison of impact within their own portfolio—and eventually across portfolios. This guidance is in the spirit of one of the Kleissners' key objectives—advocating impact investment to others. Because the overall intended impact of the Kleissners' work is to change the investment game completely and for good. Closing the event, Charly shared their vision of a day when impact investing will be the norm rather than the exception.