



Responsible Investment Association

2016 CANADIAN IMPACT INVESTMENT TRENDS REPORT

OCTOBER 2016

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Translator

We would like to thank Groupe Investissement Responsable Inc. for translating this report to French.



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Research Providers

The RIA would also like to thank Purpose Capital, the Michael Lee-Chin Family Institute and Invest4Change for their very helpful contributions to this research.



About The RIA

This report was authored and published by the Responsible Investment Association (RIA). The RIA is Canada's membership association for responsible investment (RI). Members include mutual fund companies, financial institutions, asset management firms, advisors, consultants, investment research firms, asset owners, individual investors and others interested in RI.

Our members believe that the integration of environmental, social and governance (ESG) factors into the selection and management of investments can provide superior risk adjusted returns and positive societal impact.

Learn more at www.riacanada.ca.

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EXECUTIVE SUMMARY

This report presents the findings of the Responsible Investment Association's (RIA) second impact investor survey, representing data as of December 31, 2015. The survey was conducted between April and August 2016, and maintained the same set of questions on impact investor activity and perspectives as found in the 2015 Canadian Responsible Investment Trends Report, representing data as of December 31, 2013. Eighty-seven organizations responded to the survey.

Defining impact investment

The RIA uses the Global Impact Investing Network's definition of impact investment: "Impact investments are investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social and environmental impact along with a financial return."¹

A. Major Trends

Four major trends emerged from our survey: 1) the significant growth of Canadian impact investment assets under management; 2) performance has met or exceeded expectations, especially for those targeting competitive returns; 3) the growth and development of public equity as an opportunity for impact investors; and 4) an increase in the number of impact products available to investors.

1) Market Growth

The 2016 Canadian Impact Investment Trends Report reveals that impact investing is experiencing rapid growth in Canada, and that continuing growth in this field is expected.

- Survey respondents identified **over \$9.2 billion** in assets under management as impact investments in 2015.²
- This total represents **an increase of 123%** over 2013.

Canadian Impact Investment Assets (billions)³



¹ [Global Impact Investing Network](#)

² Due to industry-specific challenges associated with data collection, we recognize that this estimate may be incomplete. There are likely additional impact investment assets not captured in this estimate.

³ Source for 2015 data: RIA 2016 survey. Source for 2013 data: RIA's Responsible Investment Trends Report 2015. Source for 2012 data: Impact Investing in Canada: State of the Nation. MaRS and Purpose Capital, 2014.

The significant growth of impact investment can be attributed to at least three factors:

- The increasing demand for impact investments by institutional and high net worth investors.
- The growing availability of impact investment products.
- The expansion of investors' counting of impact investments as they gain a deeper understanding of how they can generate positive social and environmental impacts across various asset categories.

2) Positive Performance Relative to Expectations

65% of survey respondents target competitive returns at or above market rate, an increased percentage from our last survey. Of that group, 96% said their impact investment's performance either met or exceeded their expectations. This finding supports the case that investing for environmental or social impact can generate competitive returns.

3) Impact Investing in Public Equity

This year's survey revealed that impact investing is moving rapidly into public markets. Whereas public equity comprised only 3% of impact investments two years ago, the latest data shows that about 20% of Canadian impact investment assets are in public equities.

This upward trend is the result of numerous factors, including the increasing availability of impact investment products and greater demand for impact investments in the context of growing awareness of environmental and social challenges.

Another key factor is the growing number of asset owners making commitments to move assets into impact investments. The growing proportion of portfolios moving to impact means a greater need for diversification into public markets. To meet this need, asset managers are increasingly offering funds and strategies dedicated to impact investing in public equities.

4) Expansion of Impact Investment Products

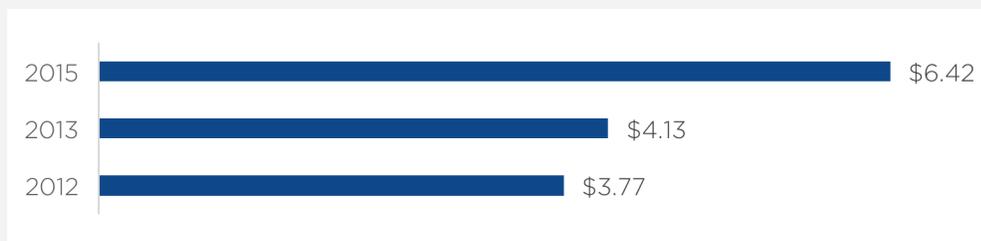
A growing number of impact assets (18% in 2015 versus 6% in 2013) are invested indirectly, through funds or other products, into companies or organizations with an environmental or social purpose. The increased availability of impact products from which investors can choose is an indicator of the industry's progress and growing dynamism.

This year, we have included in our report a list of impact investment products available in Canada to reflect the growing number of options that Canadian investors have to steer capital towards today’s pressing environmental and social issues, in addition to making direct investments.

An Evolving Understanding of Impact Investment

As noted above, one factor in the growth of impact investing is the expansion of investors’ counting of impact investments as they gain a deeper understanding of how they can generate positive social and environmental impacts across asset categories. But even when we control for evolving methodologies, impact investing is growing tremendously in Canada. As shown in the chart below, we still see a 55% increase in the growth of the impact investment industry from 2013 to 2015, even when we only include the same type of assets reported in the last survey:

Canadian Impact Investment Assets (billions) (Outlier excluded*)



*For comparison to 2013 figure only; excludes \$2.8 billion in additional assets classified as “impact” investments as reported by one credit union as of December 31, 2015.

B. 2015 Survey Highlights

Market Characteristics

- The vast majority (91%) of the assets identified in the survey are associated with organizations headquartered in British Columbia, Ontario and Quebec.
- Impact investment assets are allocated across private debt (32%), private equity (24%), and public equity (20%), as well as residential mortgages, green buildings and consumer loans.
- Canadian impact capital is invested in a wide variety of sectors, with housing/real estate, clean technology and energy topping the list.
- 71% of reported impact assets are invested in mature businesses. In this category, assets are split about evenly between private and public markets.

Performance and Risk

- 65% of survey respondents target competitive returns, an increased percentage from our last survey.
- Of those who target competitive returns, 62% target market rate returns and the remainder target above market rate. 96% of this group said their impact investment's performance either met or exceeded expectations.
- Business model execution and management is perceived as the top contributor of risk to impact investment portfolios, followed by financing and market demand and competition.

Strategy

- 17% of respondents provide credit enhancement, primarily guarantees and subordinated debt, while 12% said they may do so in the future.
- 50% of respondents believe that standardized environmental/social impact metrics are important for industry development, with 17% saying standardized metrics are "very important."

Outlook

- A majority (62%) of respondents expect either moderate or high levels of growth of impact investing over the next two years.
- Contributing to local community development was the top motivation for seeking investments with environmental or social impact, followed by contributing to sustainable development, financial opportunity, and stable long-term returns.
- Risk concerns, performance concerns, and lack of viable products/options are the top three factors preventing investors from demanding more impact investments

ABOUT IMPACT INVESTMENT

The RIA uses the Global Impact Investing Network's definition of impact investment: "Impact investments are investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social and environmental impact along with a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances."⁴

⁴ [Global Impact Investing Network](#)

Impact investments aim to resolve environmental or social challenges. Impact investing includes community investing, where capital is directed to traditionally underserved individuals or communities, and debt or equity financing that is provided to businesses with a clear environmental or social purpose.

IMPACT INVESTMENT IN CANADA

Impact investment is a small yet dynamic and rapidly growing segment of responsible investing in Canada and beyond.

This is the RIA's second year conducting an in-depth study of the characteristics of the impact investment industry in Canada, and the first in which we have dedicated an entire trends report to the subject. The data featured in this report, for the year ending December 31, 2015, is largely comparable with the impact investment data featured in our 2015 Canadian Responsible Investment Trends Report, for the year ending December 31, 2013.

Eighty-seven organizations responded to this year's survey. The sample of respondents includes a diverse group of impact investors spanning a variety of organization types across Canada. See Appendix B for a list of participating organizations.

A. Market Characteristics

Size

Our research indicates that, as of December 31st, 2015, there were an estimated \$9.2 billion in impact investment assets in Canada.⁵

Comparing our 2015 data with our 2013 data, we observe 123% growth of the impact investment industry over the past two years.

Canadian Impact Investment Assets (billions)⁶



⁵ Due to industry-specific challenges associated with data collection, we recognize that this estimate may be incomplete. There are likely additional impact investment assets not captured in this estimate.

⁶ Source for 2015 data: RIA 2016 survey. Source for 2013 data: RIA's Responsible Investment Trends Report 2015. Source for 2012 data: Impact Investing in Canada: State of the Nation. MaRS and Purpose Capital, 2014.

The significant growth of impact investment in Canada can be attributed to at least three factors. One is the increasing demand for impact investments by institutional and retail investors as well as high net worth individuals, in particular women and millennials. To meet this demand, investment managers are developing a wider range of impact products, which is the second major factor contributing to growth. Third, as investors gain a deeper understanding of the impact areas they are trying to affect, some are including more assets under their definition of impact investment than they have in the past.

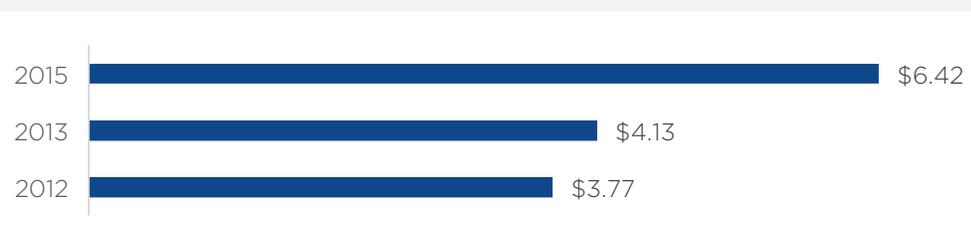
Evolving Understanding of Impact Investment

An example of this expansion, the 2015 survey data includes a spike in reported assets from one British Columbia-based credit union that, in the previous survey, solely reported “impact lending to businesses” as an impact investment category. For this year’s survey, this credit union expanded their reported impact assets to include treasury investments in social housing, certain consumer loans and residential mortgages, and buildings they own that are either “green” buildings or include affordable housing units. This calculation added almost \$3 billion to their 2015 total reported impact assets from what it would have been had they not counted these additional categories.

Since this credit union’s definition of impact assets fits within the definition used for this survey, we have included their data in our results, but acknowledge that doing so makes comparisons from the last report difficult in some areas. We have noted the few places where this data point significantly affects our findings

In the case of market size, we still see a 55% increase in the growth of the impact investment industry from 2013 to 2015, even when we only include the same type of assets reported by this credit union as they reported in the last survey:

Canadian Impact Investment Assets (billions) (Outlier excluded⁷)

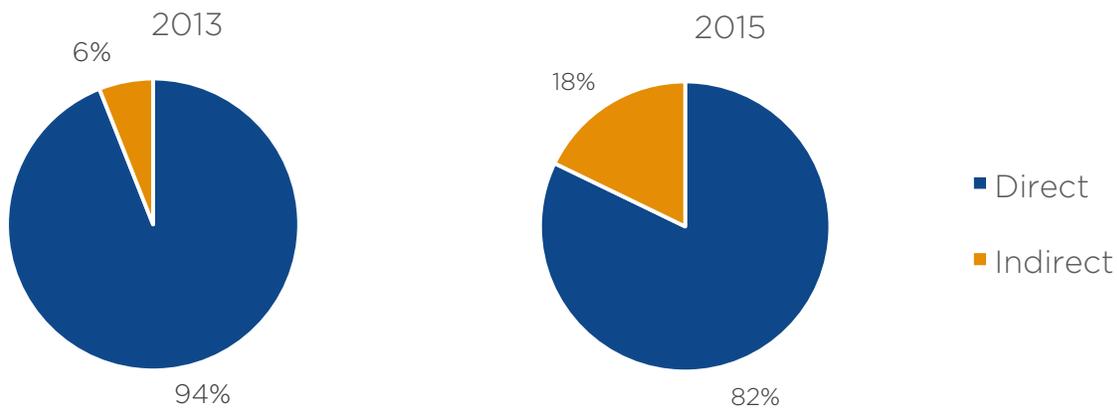


⁷ For comparison to 2013 figure only; excludes \$2.8 billion in additional assets classified as “impact” investments as reported by one credit union as of December 31, 2015.

Direct vs. Indirect Impact Investments

The vast majority of impact assets (82%) continue to be invested directly into companies or organizations with an environmental or social purpose.

Conversely, a growing number of impact investments (18% in 2015 versus 6% in 2013) are invested indirectly through funds or other products. These results are shown in the charts below, and a full list of impact products is shown on pages 13-19. The increased availability of impact products from which investors can choose is an indicator of the growth of Canada’s impact investment industry.



Impact Investment Assets by Organization Type

A diverse range of Canadian organizations practice impact investing. In this year’s survey, credit unions represent the largest organizational category by assets with \$3.49 billion, or 38% of the Canadian total.

Impact investment funds/managers make up the second largest organizational category by assets with \$2.32 billion, or 25% of the Canadian total. The third largest organizational category is foundations, with \$1.19 billion, or 13% of the Canadian total.⁸

The other categories and corresponding totals are shown in the table below.

⁸ Excluding the additional asset categories reported by one BC credit, impact investment funds/managers comprise the largest organizational category (36%), followed by foundations (19%) and Quebec’s Solidarity Finance sector (16%), with credit unions dropping to fourth on the list (11%).

Canadian Impact Investment Assets by organization type

Organization Type		Direct	Indirect	Total
Credit Union		\$3,281,565,000	\$204,735,000	\$3,486,300,000
Impact Investment Funds/Manager		\$2,070,560,368	\$246,600,000	\$2,317,160,368
Foundation		\$63,184,000	\$1,130,200,000	\$1,193,384,000
Quebec Solidarity Finance ⁹		\$1,005,300,000	\$5,000,000	\$1,010,300,000
Community Finance Organizations	AFIs ¹⁰	\$318,633,390	\$0	\$318,633,390
	Community Loan Fund	\$31,680,000	\$0	\$31,680,000
Community Futures / CBDC ¹¹		\$301,329,843	\$0	\$301,329,843
Cooperative		\$256,912,575	\$300,000	\$257,212,575
Non-profits		\$97,154,800	\$51,060,000	\$148,214,800
Government		\$73,196,954	\$0	\$73,196,954
Development finance		\$23,700,000	\$500,000	\$24,200,000
Chartered Bank		\$19,000,000	\$5,000,000	\$24,000,000
Other		\$32,000,000	\$0	\$32,000,000
TOTAL		\$7,574,216,930	\$1,643,395,000	\$9,217,611,930

Impact Investment Assets by Province/Territory

The table below categorizes impact investment assets by province/territory.

Province/Territory ¹²	Assets (millions)
British Columbia	\$4,639.78
Ontario	\$2,579.57
Quebec	\$1,211.95
Nova Scotia	\$158.37
Saskatchewan	\$155.19
Alberta	\$104.04
Manitoba	\$96.09
Northwest Territories	\$54.15
Nunavut	\$27.40
New Brunswick	\$25.52
Newfoundland and Labrador	\$16.55
Prince Edward Island	\$11.37
N/A	\$137.65
TOTAL	\$9,217.61

⁹ See Appendix A for methodology for counting assets for solidarity finance investments.

¹⁰ See Appendix A for methodology for counting assets for Aboriginal Financial Institutions.

¹¹ CBDC = Community Business Development Corporation

¹² The data presented in this table is based on the office location of survey respondents which usually, but not always, indicates geographic allocation of impact capital.

Asset Allocation

Survey respondents allocated their impact investment assets in 2015 across private debt, private equity, and public equity, with a significant amount (20%) classified as “other.”

Notably, impact investments are moving rapidly into public markets. Whereas public equity comprised only 3% of impact investments two years ago, the latest data shows that about 20% of Canadian impact investment assets are in public equities.

This upward trend is the result of numerous factors, including the increasing availability of impact investment products and greater demand for impact investments in the context of growing awareness of environmental and social challenges. We expect demand for impact investments in public markets to continue rising as the Millennial generation inherits assets and accumulates wealth. For more on this topic, see our report, “Millennials, Women, and the Future of Responsible Investment.”¹³

A growing number of asset managers are offering public equity funds and strategies dedicated to impact investing. These include the NEI Environmental Leaders Fund, AGF Global Sustainable Growth Equity Fund, Greenchip Global Equity Fund, Genus Fossil Free Impact Equity Fund, as well as dedicated impact strategies from others that have taken the lead in this category of impact product development.

In addition, an increasing number of asset owners are making commitments to move assets into impact investments. For instance, the Inspirit Foundation has committed to achieving a “100% impact portfolio” to help create a more inclusive and pluralist society.¹⁴ The Co-operators, which has \$40 billion in assets, has announced plans to move between 6 to 10% of its portfolio into impact investments by the end of 2018.¹⁵ Commitments like these indicate that impact investments in public equity will continue to grow.

Research firms are contributing to this trend as well. For example, MSCI ESG Research recently introduced the MSCI ACWI Sustainable Impact Index, which is designed to help institutional investors measure their alignment with the UN Sustainable Development Goals.¹⁶

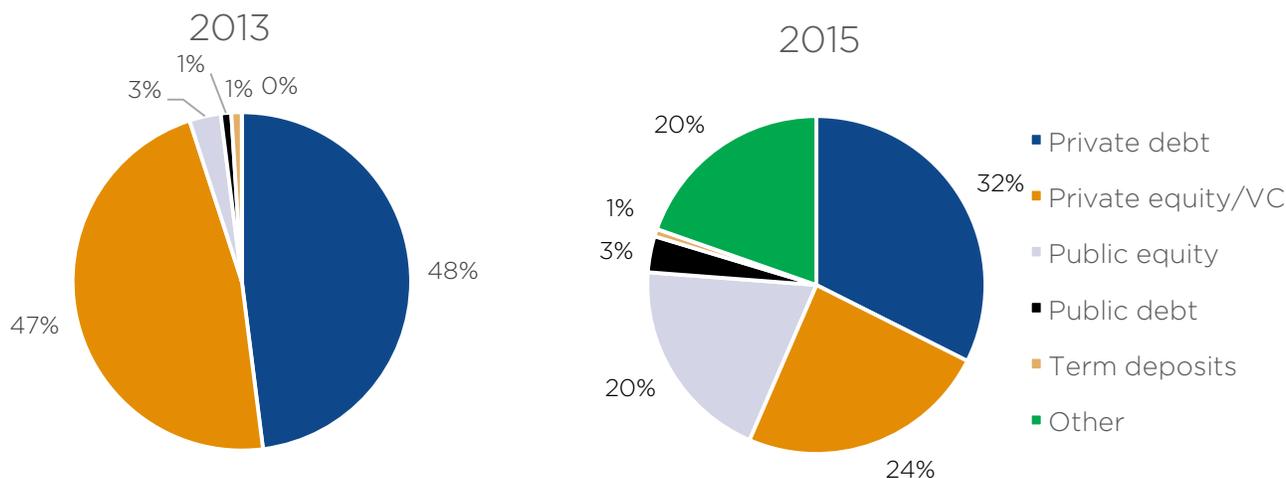
¹³ Millennials, Women, and the Future of Responsible Investing, RIA (2016).

¹⁴ Inspirit Foundation.

¹⁵ The Co-operators.

¹⁶ MSCI ESG Research.

Impact asset allocation by asset class



See footnotes.^{17 18}

The sizeable “other” category (20%) in the 2015 data is comprised primarily of one credit union’s reporting of over \$1.5 billion spread across the following asset classes not listed in our survey response choices:

- **Residential mortgages:** The balance sheet value of mortgages that support social and cultural inclusion and community building, financial inclusion/address issues of affordability, and/or environmental sustainability;
- **“Impact” buildings:** The balance sheet value of buildings (including fixtures and fittings) owned by the credit union that (a) are energy efficient properties/green buildings and/or (b) include affordable housing units; and
- **Consumer loans:** Outstanding balances of specialized retail loan/Visa products with social or environmental benefits and/or designed to support behaviour change in line with the credit union’s three Guiding Principles (co-operative principles and practices, environmental sustainability, and social justice and financial inclusion).¹⁹

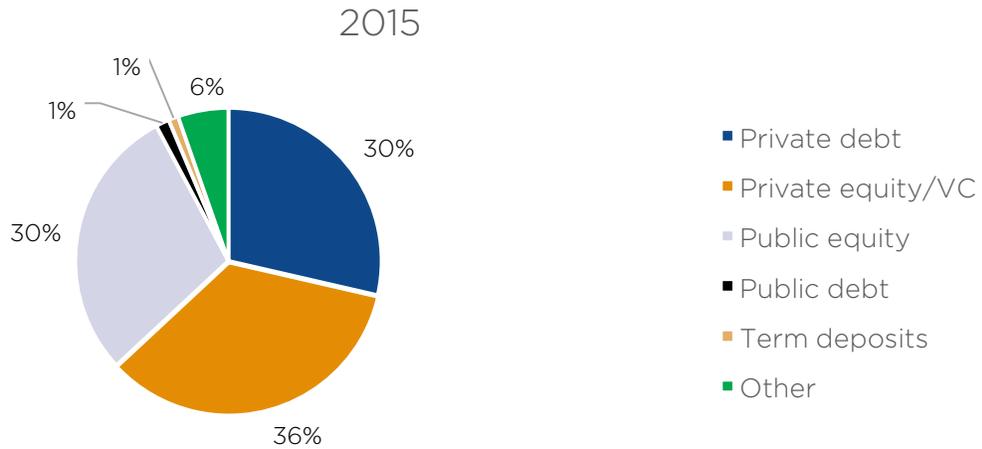
If we show the 2015 chart without this credit union’s additional categories, the growth of the public equity sector becomes even more pronounced, presenting as 30% of the total.

¹⁷ 2013 asset allocation data was unavailable, or could not be accurately estimated, for Community Loan Funds and Quebec Solidarity Finance. Due to data limitations, estimates are based on 70% of reported assets.

¹⁸ (2015) N=79. Other: Premises/Consumer Loans/Mortgages; Community bonds; Real estate. Estimates based on 88% of total impact investment assets included in this survey.

¹⁹ In light of the growth of these areas of impact investing, we will endeavor to include these asset categories in our next impact investment survey.

Impact asset allocation by asset class (Outlier excluded²⁰)

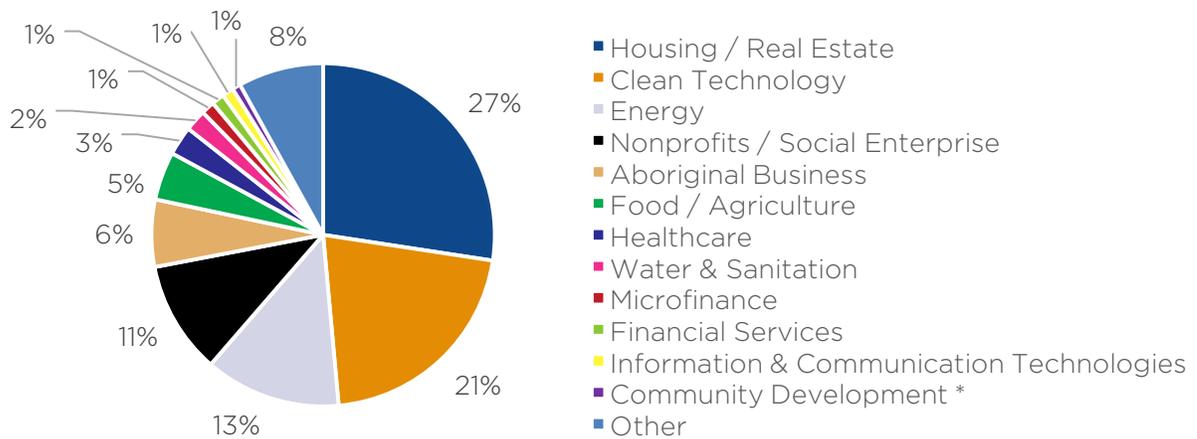


N=79. Other: Mortgages, Community Bonds, Real estate.

Sector Allocation

The chart below provides an estimate of Canadian impact investment capital placed across the 12 sectors identified in our survey, as well as those falling into the “other” category.

Impact asset allocation by sector



N=69.²¹

²⁰ For comparison to 2013 figures only; excludes \$2.8 billion in additional assets classified as “impact” investments as reported by one credit union as of December 31, 2015.

²¹ Due to data constraints, sector allocation identified above is an estimate based on 76% of reported impact investment assets. Thus, while this estimate represents a large sample of the assets, it is nonetheless an approximate estimate based on the best available information.

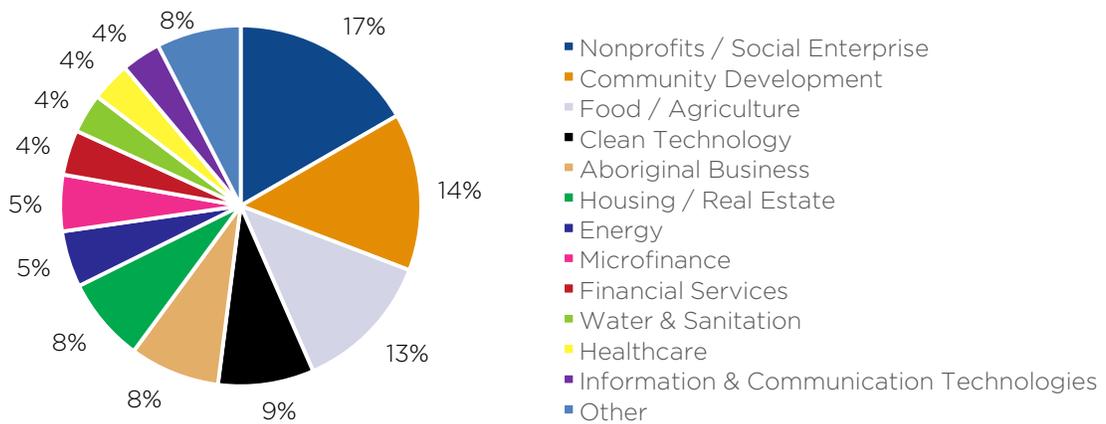
* Community development = non-specified community investment, including local small business, etc.

The sector receiving the most impact investment capital is the housing/real estate sector, with 27% of all Canadian impact investment assets. This sector shows a significant jump from our last survey primarily due to one credit union’s inclusion of location-efficient mortgages totaling over \$1.4 billion in their 2015 survey, which they did not include in their 2013 survey.

The second largest sector is clean technology, receiving 21% of Canadian impact investment assets. This category was added for the first time to this survey. Most of the capital allocated to this category comes from development finance funds. Energy is the third largest sector, receiving 13% of Canadian impact investment capital. The “other” sectors named in this survey question reflect the diversity of sectors across which investors define their impact investments.²²

We also asked survey respondents to indicate the sector(s) to which they plan to increase their exposure. The chart below shows the top responses were nonprofits / social enterprise with 17%, community development with 14%, and food/agriculture with 13% of respondents. As above, a large number of “other” sectors were named.²³

In what sectors do you plan to increase your exposure?



N=70 respondents who provided 202 responses.

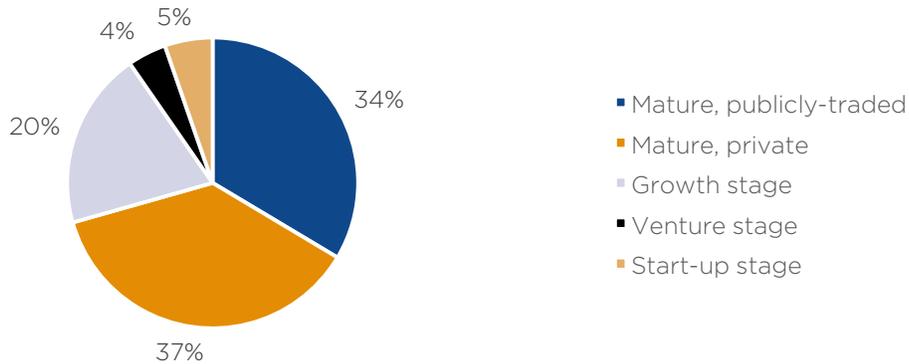
Stage of business

The majority (71%) of reported impact assets are invested in mature businesses, with about the same amount invested in privately held and publicly-traded businesses.

²² Other sectors named include: Arts and Culture / Film, Cash, Community-minded organizations, Construction, Consumer Staples, Education, Employment, Entrepreneurship, Financial Services, Green Building/Products, Infrastructure, Innovation, Liquid assets, Manufacturing, Materials, Retail, Service, Sports, Telecomm Services, Tourism, Trade & Investment, Utilities, Waste Management & related technologies, Women’s Enterprise, Worker Co-operatives, Youth Enterprise

²³ Other sectors named include: Arts and Culture, Civic Assets, Creative Economy, EdTech, Environment, Fishing, Forestry, Green Building, Harvesting & Processing, Leadership Diversity, Logging, Renewable Utilities, Retail, Skill Development, Tourism, Trade & Investment

What percentage of your impact assets under management are invested in the following stages of business?



N=68. Due to lack of data, stage of business estimate is based on 51% of reported impact investment assets.

B. Impact Investment Products

List of Impact Investment Products

The following pages contain a list of impact investment products in the Canadian marketplace. While this is by no means an exhaustive list, it reflects the growing number of impact investment options in Canada that are steering capital towards today’s pressing environmental and social issues.

Some of the data in the below tables was provided by our survey respondents, although the vast majority of information below is sourced from the Impact Investing Product Inventory – a joint initiative of Purpose Capital and the Michael Lee-Chin Family Institute for Corporate Citizenship (LCI). Their data is based on existing market intelligence and a product survey that is still in progress. Their survey results will be shared publicly in early 2017. For more information about the Impact Investing Product Inventory, visit: www.uoft.me/impinv.

In addition to the products listed below, impact investors may consider looking into Aboriginal Capital Corporations, which may partner to create investment opportunities. More information can be found at: www.nacca.ca.

Aboriginal Capital Corporations (ACC)

Organization	Product Name
Aboriginal Renewable Energy Fund (AREF)	AREF
First Nations Finance Authority	First Nations Finance Authority Bond
SOCCA (Native Commercial Credit Corporation)	Huron-Wendat Revolving Housing Fund
Ulnooweg Development Group Inc.	Information not publicly available

Community Economic Development Investment Funds (CEDIF)

Organization	Product Name
Black Business Community Investment Fund Ltd.	Common shares
Colchester-Cumberland Wind Field Inc.	CCFW Share Offering
Farm Works Nova Scotia	Co-op membership and shares
Just Us! Coffee Fair Trade Investment Fund	Just Us! Coffee Fair Trade Investment Fund
New Dawn	New Dawn Innovation Fund
Scotian Wind	Scotian Wind Community Economic Development Investment Fund
Watts Wind Energy	Watts Wind Energy Community Economic Development Investment Fund
Wind 4 All	Wind 4 All Community Economic Development Investment Fund
Nova Scotia Securities Commission	Nova Scotia Community Economic Development Investment Funds

Community Loan Funds

Organization	Product Name
Accès Micro-Crédit Gaspésie	Community loan fund
ACCESS Community Capital Fund	Access Community Capital Loan Fund
ACEM, Financement communautaire responsable (Montreal Community Loan Association)	Community loan fund
ACERS - Association Communautaire d'emprunt de al Rive-sud (Community Loan Association of the South Shore)	Community loan fund
Alberta Women Entrepreneurs	Alberta Women Entrepreneurs (AWE) Small Business Loan
CERCLES D'EMPRUNT AURORA DE COMPAGNIE F	Community loan fund
Cercles D'emprunt de Charlevoix	Community loan fund

Cercles D'emprunt de l'île à Montréal	Community loan fund
Cercles D'emprunt De Pro-Gestion Estrie	Community loan fund
Cercles D'entraide de la Rive-Sud	Community loan fund
Circle of Habondia Lending Society	Circle of Habondia loan guarantee fund and micro-loans
Community Micro Lending Society	Community Micro Lending Loan
FCAMC Fonds communautaire d'accès au micro-crédit	Community loan fund
FCEM fonds communautaire D'emprunt de la Mauricie	Community loan fund
Fonds D'emprunt des Laurentides	Community loan fund
Fonds D'entraide Communautaire	Community loan fund
Jubilee Fund	Jubilee Fund
Micro-Credit Lotbinière	Community loan fund
MicroCredit KRTB	Community loan fund
Ottawa Community Loan Fund	Preference Shares and Member Investment Notes in local renewable energy projects
Reseau Acces-Credit	Community loan fund
Rise Asset Development	Rise Small Business Lending Program
Saint John Community Loan Fund	Saint John Community Load Fund
SheEO	#radicalgenerosity
Société Communautaire lavalloise D'emprunt	Community loan fund
Women Entrepreneurs of Saskatchewan Inc.	Small business loans
Women's Enterprise Centre (BC)	Small business loans
Women's Enterprise Centre of Manitoba	Women's Enterprise Centre of Manitoba Loan
Community Forward Fund Assistance Corporation (CFFAC)	Community Forward Fund
Afro-Entrepreneurs	Fonds Afro-Entrepreneurs
Social Enterprise Fund	Social Enterprise Fund
Social Capital Partners	Community Employment Loan

Financial Institutions

Organization	Product Name
TD Bank Financial Group	TD Green Bond
Impak Finance	impak Fund
RBC	RBC Generator Fund
Vancity - Vancouver City Savings Credit Union	Impact lending and investing - loans

Direct Impact Investments

Organization	Product Name
Artscape	Artscape Bond
Centre for Social Innovation	CSI Community Bond, Ontario Catapult Microloan Program
Home Ownership Alternatives	Housing ownership through 2nd mortgages
The Mount Peterborough	Mount Community Bond
Options For Green Energy (Queen Street Solar)	Queen Street Solar Community Bond
Options International	Housing
PARO Centre for Women	PARO Peer Circles Lending
Pillar Nonprofit Bond	Pillar's Community Bond
Pique Venture Management Inc.	Pique Fund
Verge Capital (joint initiative of Pillar Nonprofit and others)	Social Enterprise Loan Fund
Tides Canada	ChangeCapital
Trillium Housing	Trillium Housing Loans

Fund Managers

Organization	Product Name
Sarona Asset Management	Sarona Private Equity Fund
Booster Stage Capital	Information not publicly available
Brighter Investment	High Potential Student Investment
Canadian Alternative Investment Cooperative (CAIC)	Mortgages for Community-based Projects, Social & Affordable Housing Initiatives, and Social Enterprise Financing
CAPE Fund Management (Capital for Aboriginal Prosperity and Entrepreneurship)	CAPE Fund
Community Forward Fund (CFF) Assistance Corp	Lending to NFP's
CoPower Inc.	CoPower Green Bond I
CP Capital [SolarShare Co-operative]	Solar Bonds
Development International Desjardins	Desjardins Fund for Inclusive Finance, Investment Fund for International Development, and Partnership Fund
Ecotierra Canopy Fund	Ecotierra Canopy Fund
EcoTrust Canada	Revolving Community Loan Fund and First Nations Regeneration Fund
Edmonton Social Enterprise Fund	Edmonton Social Enterprise Fund
Efficiency Capital Corporation	ESPA
Firelight Infrastructure Partners	Information not publicly available
Freycinet Investments	Information not publicly available
Immigrant Access Fund	Immigrant Access Fund loan

Investeco Capital Corp.	Investco Private Equity Fund, L.P., Private Equity Fund II, L.P., and Private Equity Fund III, L.P. Sustainable Food Fund, L.P.
JCM Capital	Information not publicly available
Oikocredit	Oikocredit International Share Foundation depository receipts, Oikocredit Global Impact GIC (Kindred Credit Union)
Renewal Funds	renewal2 and renewal3
Resilient Capital Program	Resilient Capital™ Term Deposit
Tenacity Works (Canadian Worker Coop Federation)	Tenacity Works
Toronto Community Housing Bond	Toronto Community Housing Bond
Toronto Enterprise Fund	Toronto Enterprise Fund - operating grants
VERGE Capital	VERGE Social Enterprise Loan Fund
Youth Social Innovation Capital Fund	Youth Social Innovation Capital Fund
E-Fund Angel Investment Fund	E-Fund
Deutsche Bank	FINCA Microfinance Fund B.V., Global Commercial Microfinance Consortium II B.V.
First Nations Market Housing Fund	First Nations Market Housing Fund
Alterfin	Fopepro
Lok Capital	Lok Capital Funds I, II, III
New Market Fund	NMF Rental Housing Fund I LP
SADC	SADC Écoprêt (Ecolan)

Investment Co-ops

Organization	Product Name
Creating Eudaimonia	Alberta Impact Fund
Amber Renewable Energy Co-op	AMBER membership and AMBER dividends
Beach Community Energy Cooperative Inc.	Co-op membership and shares
Community Energy Development Cooperative	Community Bonds (Series N1-5)
Green Energy Cooperative of Ontario (GECO)	Membership Shares and Class A Preference Shares
Guelph Renewable Energy Co-operative	GREC community bonds
Lake of Bays Renewable Energy Co-op	LOBREC Bond
Ottawa Renewable Energy Coop	OREC Preference Shares and OREC Member Investment Notes
Oxford Community Energy Co-operative	Oxford Community Energy Co-operative shares and bonds
Peace Energy Cooperative	Co-op membership and shares
Sangudo Opportunity Development Co-operative	Co-op membership and shares

Simcoe County Community Energy Cooperative	Co-op membership and shares
SolarShare Cooperative	Solar Bonds
SolShare Energy	Solshare Energy Shares
SUN Solar Coop	Co-op membership and shares
Sustainability Brant Community Energy Co-op	Sustainability Brant Community Energy Co-op shares and bonds
Vancouver Island Community Investment Co-op	Co-op membership and shares
ZooShare Community Bonds	ZooShare Community Bonds
Alberta Solar Energy Cooperative	Co-op membership and shares
Galiano Loan Fund	Galiano Loan Fund
Knives and Forks Investment Coop	Community investment loan
Arctic Co-operative	Arctic Co-operative Development Fund
Vancity	Vancity Shared World Fixed Term Deposit

Labour-Sponsored Funds

Organization	Product Name
Caisse d'Économie Solidaire Desjardins	Specialty Loans
Capital régional et coopératif Desjardins	Specialty Loans
Chantier de l'économie sociale Trust	Specialty Loans
Fiducie du Chantier de l'Économie Sociale	Specialty Loans
Filaction	Specialty Loans
Fondation de la CSN	Specialty Loans
Fonds D'investissement de la Culture et des Communications	Specialty Loans
Fonds de solidarité FTQ	Specialty Loans
FondsARHC	Specialty Loans
Réseau d'investissement social du Québec (RISQ)	Réseau d'investissement sociale du Québec - Prêt de capitalisation
Vrai Fonds D'emprunt Québec	Specialty Loans

Public Equity

Organization	Product Name
AGF Investments	AGF Global Sustainable Growth Equity
Genus Capital	Genus Fossil Free Impact Equity Fund
Greenchip Financial Corp	Greenchip Global Equity Fund
NEI Environmental Leaders Fund	NEI Environmental Leaders Fund

Venture Capital

Organization	Product Name
Algal Ventures	Algal Venture Capital Fund
ArcTern Ventures	ArcTern Ventures Fund I
Avrio Capital	FCC Ventures, Avrio Ventures LP I, Avrio Ventures LP II, Avrio Ventures LP III
BioEnterprise Capital	Trans-Atlantic Agri-Technology Fund
Black Coral Capital	Information not available
Changequity	Information not available
Chrysalix Energy Venture Capital	Chrysalix Energy Limited Partnership III
CTI Life Sciences Fund	CTI Life Sciences Fund
Cycle Capital Management	Cycle Capital Fund III L.P
DBL Cleantech Capital	Information not available
Emerald Technology Ventures	Emerald Industrial Innovation Fund LP (EIIIF)
Enertech Capital	EnerTech Capital Partners IV LP
Evok Innovations	Evok Innovations Fund
Fight Against Cancer Innovation Trust	FACIT's Catalyst Fund and Intellectual Property Development and Commercialization (IPDC) Fund
Foragen Technologies Management Inc.	Foragen Technologies Limited Partnership Fund
FrontFundr	Online Investment Platform (EMD)
Genesys Capital Partners	Genesys Ventures IA LP and Genesys Ventures II LP
Greensoil Investments	Greensoil Building Innovation Fund
Linn Grove Ventures	Linn Grove Fund
Lumira Capital	Lumira capital Fund IV
MaRS Catalyst Fund	MaRS Catalyst Fund
North Sky Capital	North Sky CleanTech Alliance Fund
Pangaea Ventures Limited	Pangaea Ventures Fund III, LP
Persistence Capital Partners	Persistence Capital Partners II LP
Sail Capital Partners	Sail Capital Partners Fund
Varshney Capital Corp	Varshney Capital Corp Fund
Verdex Capital	FVII Fund
XPV Capital Corporation	XPV Capital Fund
Yaletown Partners	Yaletown Partners Fund
York Medtech Partners	York Medtech Commercialization Fund
Pyfera Capital	Pyfera Growth Capital
TVM Capital Group	TVM Life Science Ventures VII
Edmonton Community Foundation	Alberta Social Enterprise Venture Fund
ArcTern Ventures (formerly the MaRS Cleantech Fund)	ArcTern Ventures

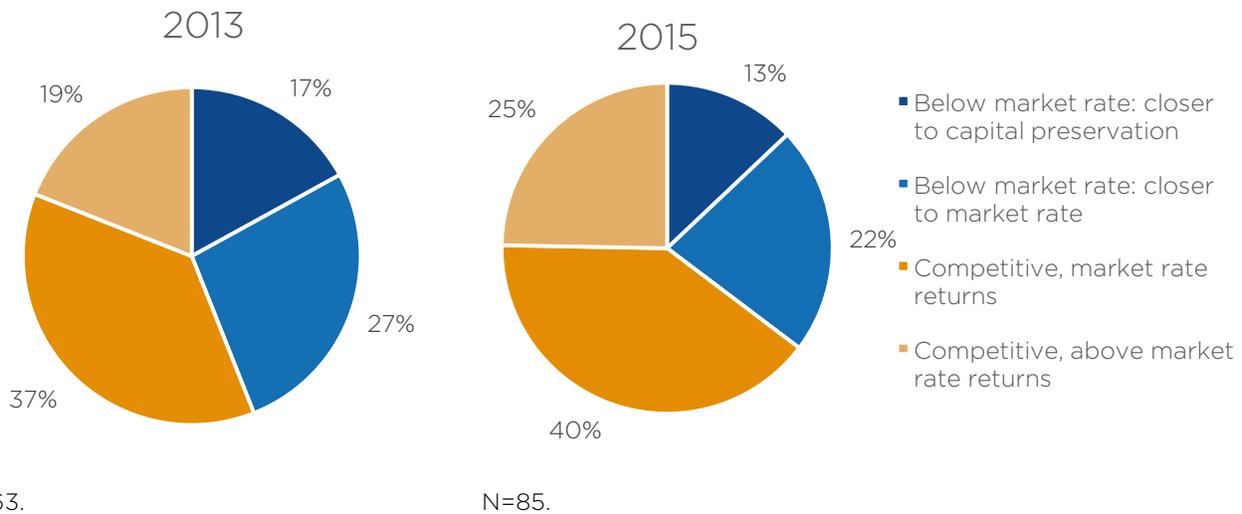
C. Performance and Risk

Canadian impact investors vary in their expectations around financial return. While some investors expect to concede returns in order to maximize impact, most of those we surveyed target market-competitive returns or better.

Level of return

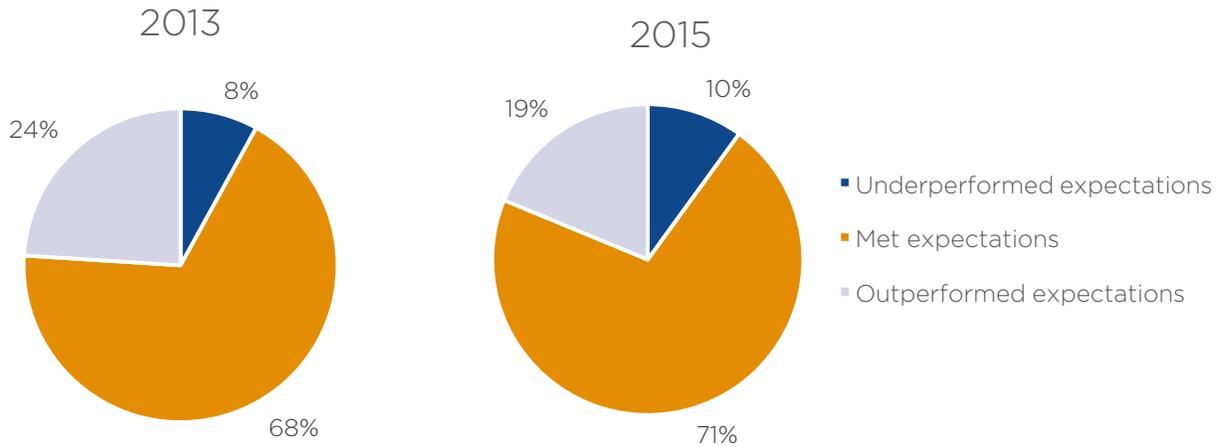
As shown in the charts below, a majority of all 2016 survey respondents (64%) indicated that they target competitive returns, an increased percentage from our last survey. Of those who target competitive returns, 63% target market rate returns and the remainder target above market rate.

What level of returns do you target?



When asked to assess the performance of their impact investments relative to their expectations, 90% of respondents reported that performance either met or exceeded expectations. These results are similar to those we reported in our last survey.

In 2015, how was performance relative to your expectations?



N=63.

N=80.

Of those who target competitive returns, the vast majority (96%) said their impact investment’s performance either met or exceeded expectations. These findings continue to support the case that investing for environmental or social impact can generate competitive returns.

Risk

When asked to identify the top contributors of risk to their impact investment portfolios, respondents most often identified business model execution and management; this response is unchanged from our last survey. Financing was identified as the second largest risk factor, while market demand and competition were third.

Contributors of risk to impact investment portfolios

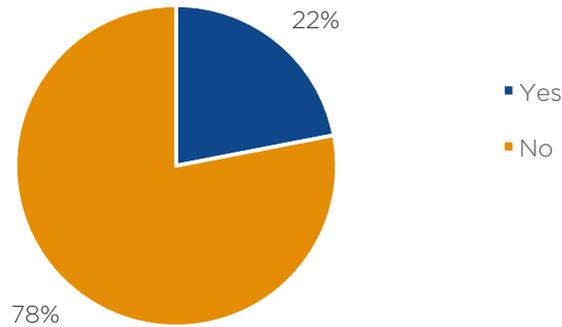
1	181	Business model execution & management risk
2	97	Financing risk
3	75	Market demand & competition risk
4	51	Liquidity & exit risk
5	34	Macroeconomic risk
6	25	Public policy risk
7	21	Country & currency risks
8	14	Reputational risk

N=84.²⁴

²⁴ See Appendix A for methodology for ranked questions.

Twenty-two percent of respondents said they encountered significant risk events in their impact investing portfolios in 2015, with business model execution and management again most often cited as a contributor to risk.

Did you encounter significant risk events in 2015?



N=81.

Type of significant risk events reported:

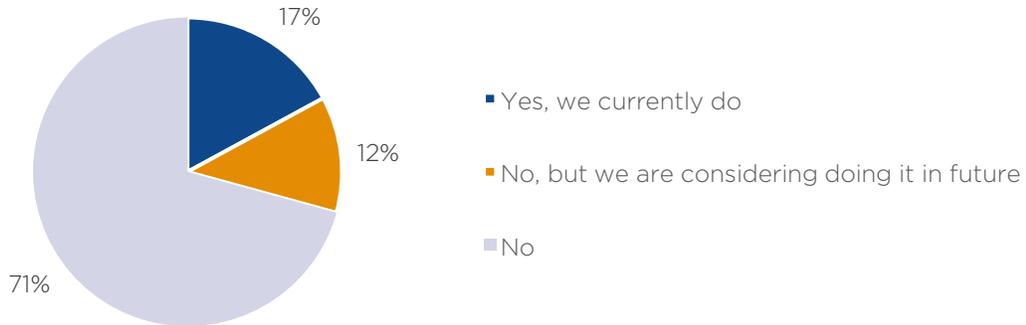
Business model execution & management risk	5
Macroeconomic risk	4
Country & currency risks	3
Public policy risk	2
Financing Risk	2
Liquidity & exit risk	1

D. Strategy

Credit Enhancement

A minority of 17% of survey respondents provide credit enhancement, while 12% said they may do so in the future.

Do you provide credit enhancement?



N=82.

The 14 respondents who provide credit enhancement primarily use guarantees and subordinated debt as credit enhancement instruments. These instruments are listed in the table below.

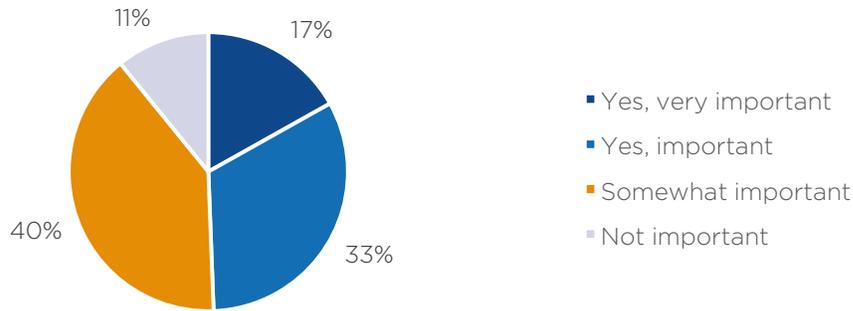
If yes, what type of financial instruments do you use for credit enhancement?

Guarantee	12
Subordinated debt	8
First-loss reserve	4
Linked deposit at a financial institution	4

Impact Measurement

Exactly one half of respondents said that standardized environmental/social impact metrics are important for industry development, with 17% saying standardized metrics are “very important.”

Are standardized impact metrics important for industry development?



N=83.

Nonetheless, the tables below show that relatively few respondents said they use standardized impact metrics or impact ratings/certifications. An area for further research would be to examine why so few impact investment organizations are using these types of metrics.

Do you use disclosure metrics to measure environmental/social impact?

Yes, but our metrics are not aligned with external standards	24
No	24
No, but we are considering doing so in future	19
Yes, (Impact Reporting & Investment Standards (IRIS)	8
Yes, but we use other standardized metric	8
Yes, Social Return on Investment (SROI)	5
Yes, Global Reporting Initiative (GRI)	2
Other	

N=82.

Do you use 3rd party ratings and/or certifications to guide your investments?

No	53
No, but we are considering doing so in future	17
Yes, Global Impact Investing Rating System (GIIRS) ratings	6
Yes, other standardized metric	6
Yes, B-Corp certification	1
Other	

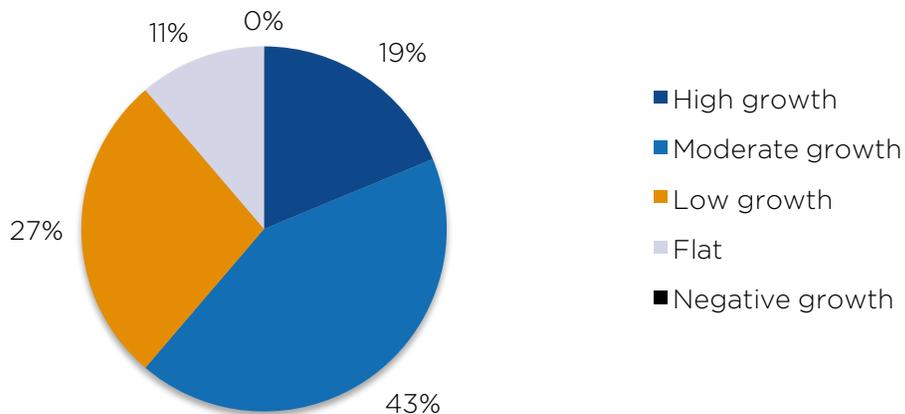
N=82.

4. Outlook

Looking Forward

Looking to the future, we asked respondents to identify the level of investment growth they anticipate in the next two years. A majority of respondents (63%) were optimistic about the growth of impact investing, reporting that they expect either moderate or high levels of growth. A minority (28%) were less optimistic, anticipating low growth, while 11% expected flat growth. No respondents anticipate a contraction.

What level of impact investment growth are you anticipating in the next two years?



N=80.

Motivating Factors

We asked our survey respondents to rank their (or their clients’) motivations for seeking investments with environmental or social impact. Their responses are shown in the table below. The top motivation is to contribute to local community development, with sustainable development and financial opportunity rounding out the top reasons Canadians choose to invest for environmental or social impact.

What motivates you or your investors to demand impact investments?

Rank	Score	Motivation
1	148	Contribute to Local Community Development
2	116	Contribute to Sustainable Development
3	54	Financial opportunity
4	40	Looking for stable long-term return

4	40	Alternative to Philanthropy
5	25	Responsibility to client/Fiduciary duty
6	20	Risk management
7	6	Generational transfer of wealth
7	6	<i>Other: Our mission/values</i>
8	3	<i>Other: Contribute to Aboriginal Agenda</i>
8	3	<i>Other: Worker Co-operative Sector</i>
8	3	<i>Other: Financial Inclusion</i>
8	3	<i>Other: Level playing field for women entrepreneurs</i>
9	1	<i>Other: Job creation</i>
9	1	<i>Other: Serve Social Enterprise</i>

N=82. *Italicized rows are write-ins.*

Discouraging Factors

To better understand the discouraging factors in the market, we asked survey participants what factors prevent investors from demanding more impact investments. The top three factors cited are risk concerns, performance concerns, and lack of viable products/options, the same responses as we received in our last survey.

What prevents you or your investors from demanding more impact investments?

Rank	Score	
1	142	Risk concerns
2	113	Performance concerns
3	95	Lack of viable products/options
4	41	Lack of qualified advice/expertise
5	13	Mistrust/Concern about Green Washing
6	5	<i>Other: Lack of investment knowledge</i>
7	3	<i>Other: No significant demand</i>
8	2	<i>Other: competing financial priorities</i>
8	2	<i>Other: RRSP eligibility</i>
8	2	<i>Other: Sustainability of volunteer involvement</i>
8	2	<i>Other: I want my impact investments in my backyard (IMBY)</i>
9	1	<i>Other: Policy risks</i>
9	1	<i>Other: Question whether investment with this risk profile meets fiduciary responsibilities under the Trustee Act (Ontario)</i>
9	1	<i>Other: Unknown by the major financial institutions.</i>

N=81. *Italicized rows are write-ins.*

As previously noted, our data indicates that 90% of respondents felt that their impact investments' 2015 returns either met or outperformed their expectations, and

of those who targeted competitive returns, 96% said they either met or outperformed expectations. Thus, the stated concerns about performance may be misplaced or outdated.

Barriers to Growth

As shown in the table below, survey respondents feel that the top barriers to the growth of impact investing in Canada are a shortage of high quality investment opportunities and lack of appropriate capital across the risk/return spectrum. The lack of common language around impact investing and the lack of innovative deals/fund structures also placed near the top of the list.

What are the top barriers to growth of impact investing in Canada?

Rank	Score	
1	113	Shortage of high quality investment opportunities with track record
2	87	Lack of appropriate capital across the risk/return spectrum
3	54	Lack of common way to talk about impact investing
4	46	Lack of innovative deal/fund structures to accommodate investors' or portfolio companies' needs
5	36	Lack of research and data on products and performance
6	34	Lack of investment professionals with relevant skill sets
7	26	Difficulty exiting investments
8	19	Inadequate impact measurement practice
9	8	<i>Other: Lack of policy/regulations</i>
10	5	<i>Other: Traditional firms slow to offer or recognize impact products</i>
11	3	<i>Other: Finding enough entrepreneurs to invest in</i>
12	3	<i>Other: Confusion differentiating philanthropy from impact investing</i>
13	2	<i>Other: Quality assurance</i>
14	2	<i>Other: Lack of investor knowledge and awareness</i>

N=82. *Italicized rows are write-ins.*

Drivers of Growth

To counteract the perceived barriers to growth identified above, survey respondents identified numerous mechanisms that could drive the growth of impact investing in Canada, shown in the table below. The top identified mechanisms are more persuasive evidence to support the business case for impact investment, and greater awareness of impact investing opportunities. Public policy changes in favour of hybrids and social enterprises, better expertise among investment professionals, and easier access to high impact opportunities also scored highly.

What are the top mechanisms that could drive growth of impact investing in Canada? In other words, what would make you or your clients more likely to invest for environmental/social impact?

Rank	Score	
1	122	Greater awareness of impact investing opportunities
2	103	More persuasive evidence to support the business case
3	70	Easier access to high impact investment opportunities
4	49	Better expertise on impact investing among investment advisors/professionals
5	48	Public policy changes in favour of hybrids and social enterprise
6	41	Increased supply of impact investment products
7	17	Greater adoption of standardized environmental/social reporting guidelines (such as IRIS or GRI)
8	3	<i>Other: More CEO sponsorship</i>
8	3	<i>Other: Mechanism for identifying and matching investment opportunities with investors/funds</i>
9	2	<i>Other: Greater awareness of traditional investment risks</i>
10	1	<i>Other: Policy regarding fiduciary duty & suitability of impact investing as part of a responsibly managed investment portfolio</i>
10	1	<i>Other: Longer investment time horizons</i>
10	1	<i>Other: Public policy risk</i>

N=82. *Italicized rows are write-ins.*

APPENDIX A: METHODOLOGY

- The RIA collected data for this study from 87 investment managers and asset owners via electronic survey and phone follow ups between April 2016 and August 2016. We supplemented this primary research with secondary sources such as websites and annual reports.
- We received survey data from a relatively small percentage of Community Futures organizations and Aboriginal Financial Institutions (AFIs). Since we were able to find published aggregate data for both of those networks, we included that data in our results, and excluded the individual respondents' reported assets to avoid double counting. Specifically:
 - We received survey data from 11 of the 268 members of the Community Futures Network of Canada ("CFNC") and excluded their reported assets; rather, we included the CFNC's total loans offered to businesses (\$301.33 million) for 2014-2015²⁵ in our total of impact assets under management.
 - We received survey data from two of the 54 AFIs that are members of the National Aboriginal Capital Corporations Association (NACCA) and excluded their reported assets; rather, we included the NACCA's gross loan portfolio (\$318.63 million)²⁶ in our total of impact assets under management.

We did include other data provided by individual survey respondents from Community Futures organizations and AFIs.

- We received survey data from five of Quebec's solidarity-based finance investment organizations.²⁷ To reflect the impact assets from the remaining solidarity funds²⁸, we included their total investments from the most current published report on socially responsible investment in Quebec²⁹ as part of our total of impact assets under management. We did not include any development capital investments from the aforementioned report, as we did in the [2015 Canadian Responsible Investment Trends Report](#).

²⁵ Community Futures Network of Canada, [2014-2015 Annual Report](#)

²⁶ National Aboriginal Capital Corporations Association, [Portrait of Aboriginal Financial Institutions Fiscal 2015](#)

²⁷ The Quebec funds that responded to our survey include: Caisse d'économie solidaire Desjardins, Fiducie du Chantier de l'économie sociale / Chantier de l'économie sociale trust, Filaction, Réseau d'investissement social du Québec, Réseau Québécois du crédit Communautaire

²⁸ Per Mendell et al. (2014), these include: Fonds d'investissement Montréal (FIM), IQ - IMPLIQ Financing (flexible financing), IQ (capitalisation and other investments within collective entrepreneurship), Fonds d'investissement de la culture et des communications (FICC)

²⁹ The most current data for Quebec we could find is Mendell et al., (2014). [Socially Responsible Finance in Quebec: 2013 Overview](#) CAP Finance, Karl Polanyi Institute of Political Economy, Institut de recherche en économie contemporaine.

- Methodology for ranked questions: In a number of cases, we asked respondents to rank their top three choices. For those questions, scores were calculated as follows: (number of respondents that ranked it first \times 3) + (number of respondents that ranked it second \times 2) + (number of respondents that ranked it third \times 1).
- The questionnaire contained very few mandatory questions. We did this to help maximize engagement; to collect whatever data respondents were able/willing to provide. As a result, some respondents skipped some questions. Due to limited responses to particular questions, the corresponding data represented too small a sample size to be meaningful. Therefore, this report includes data corresponding to most, but not all of the survey questions.
- All data included in this report is self-reported. We investigated anomalies and verified data where possible; still, it was not feasible to verify all respondents' data regarding impact investment strategies.
- All data shown in this report is current as of December 31st, 2015, unless otherwise noted. All dollar amounts are CAD, unless otherwise noted.

APPENDIX B: LIST OF SURVEY RESPONDENTS

The following organizations participated in the RIA's 2016 Impact Investment survey:

Access Community Capital Fund
ACEM, Financement communautaire responsable
Affinity Credit Union
AGF Investments
Akaitcho BDC
Alberta Women Entrepreneurs Association
Apeetogosan Development Inc.
ArcTern Ventures
Arctic Co-operative Development Fund
Baffin BDC
Bealight Foundation
Black Business Community Investment Fund Limited
Caisse d'économie solidaire Desjardins
Calgary Foundation
Canadian Alternative Investment Cooperative
Canadian Worker Co-operative Federation
CAPE Fund Management
CBDC Central PEI
CCEC Credit Union
Centre for Social Innovation
Chebucto Pockwock Lake Wind Field Limited
Chebucto Terence Bay Wind Field Limited
Community Forward Fund
Community Foundation for Kingston & Area
Community Foundation of Greater Peterborough
Community Foundation of Ottawa
Community Futures Mount Waddington
Community Futures North Red
Community Futures Triple R Corporation
Community Futures West Interlake
Community Micro Lending
CoPower
Deh Cho BDC
Développement international Desjardins (DID)
Digby-Clare CBDC
E-Fund
FarmWorks Investment Co-operative Limited
Fiducie du Chantier de l'économie sociale / Chantier de l'économie sociale trust
Filaction
Firelight Infrastructure Partners
Genus Capital Management
Goodwill Industries
Green Timiskaming Development Co-operative Inc.
Greenchip Financial Corp.

Hamilton Community Foundation
Home Ownership Alternatives
iNova Credit Union
Inspirit Foundation
InvestEco Capital Corp.
J.W. McConnell Family Foundation
Jubilee Fund Inc.
Kitikmeot Community Futures Inc.
Mennonite Savings and Credit Union
Mount Community Centre
NEI Investments
New Market Funds
Nova Scotia Co-operative Council
Nunavut Business Credit Corporation
Nunavut Development Corporation
NWT Business Development and Investment Corporation
Oikocredit
PARO Centre for Women's Enterprise
Pique Ventures
Renewal Funds
Réseau d'investissement social du Québec
Réseau Québécois du crédit Communautaire
Royal Bank of Canada
Royal Star Foods / Royal Star Investment Cooperative
SADC de Baie-des-Chaleurs
SADC des Îles-de-la-Madeleine
SADC Pontiac
Sarona Asset Management
Scotian Wind Inc.
Social Enterprise Fund
SolarShare
TD Wealth
Thebacha Business Development Services
Toronto Atmospheric Fund
Vancouver City Savings Credit Union (Vancity)
Vancouver Foundation
Venture Niagara CFDC
VERGE Capital
Women Entrepreneurs of Saskatchewan Inc.
Women's Enterprise Centre BC
Women's Enterprise Centre of Manitoba
Youth Social Innovation Capital Fund
ZooShare Biogas Co-operative Inc.