



BAEP 564

Investing in Impact Ventures

Overview

What makes a business possible in the first place? A great idea or flawless execution? Visionary leaders or competent managers? Trust in a legal system or the ability to operate without regulatory interference? Access to capital or... what? If entrepreneurship is the creative art of forming new enterprises, investment is the (mostly) logical process of supplying those businesses with capital. Capital is the source material, the limiting reagent, and the initial determinant of success for companies hoping to survive into maturity. Its presence fuels a business. Its absence will, in time, doom any business.

This is no ordinary course on investing. This is a course on investing in enterprises that have an explicit social or environmental purpose: impact investing. We will talk in plain English about the motives for and mechanics of investment. We will discuss the many meanings of “impact” and the methods of measuring that impact. And we will seek answers to key questions: How do different kinds of investors and businesses think about investment and impact? How might *you* think about the interplay of investment and impact?

The course will be split in to four modules. In the first module, we will cover the core concepts and frameworks of investing and of impact. In the second module, we will explore how principles of “wise investing” emerge, and you will use those stories to inform your own approach to rulemaking and capital raising. In the third module, you will apply the frameworks and rules you learned in the first half of the class to evaluate some of the top impact investors in the world. In the last module, you will design your own approach to impact investing, impact capital raising, or impact standards setting.

Goals

This course will teach you how investment works, how investors think, what investors prioritize, how investment can fail, and how it can yield spectacular wealth when done right. We will think about investment from the perspective of many different kinds of investors (i.e., how should they allocate capital?). And we will think about investment from the perspective of many different kinds of businesses (i.e., how can they attract capital?). We will discuss how those perspectives differ and occasionally stand in direct contraposition.

In this class, you will develop new views on capital, and it is my great hope that

Spring 2019

Monday 6:30pm-9:30pm

Popovich Hall (JKP) Room 102

Instructor: **Eric Maltzer, Medora Ventures**

E-Mail: Maltzer@usc.edu

Office: Fertitta Hall (JFF), 5th Floor

Office Hours: M 3:30-5:00 PM, 9:30-10:30 PM

Materials

Required Texts

Clark, C., Emerson, J., Thornley, B. (2014). *The Impact Investor: Lessons in Leadership and Strategy for Collaborative Capitalism*. San Francisco, CA: Wiley.

Feld, B., Mendelson, J. (2016). *Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist*. Hoboken, NJ: Wiley.

Maltzer, E. (2019). Investment for Impact: A Simple Primer on How Money can Serve Values In *Perspectives on Impact: Leading Voices on Making Systemic Change in the Twenty-First Century*. Oxford, UK: Routledge.

In addition to these texts, there will be assigned articles and cases for each class.

Optional Texts

Links to readings appear in this syllabus.

Milestones

Case Write-ups and Reading Responses

Due at 6:25 PM on the day of discussion

Mid-Semester Investment Thesis

March 4, 2019

Team Presentations

April 15 & 22, 2019

Final Paper

Due May 3, 2019

you will share those views and then soundly answer critiques from your classmates, your professor, and the wider world. As you'll see, we are in the midst of a revolution in the manners and methods of capital allocation. If you want to make a difference through an enterprise, you first must have command of the capital. By the end of this course, you should know how to do exactly that.

In the course of the semester, students can expect to do the following:

- Develop an understanding of the thought processes and core motivations of a wide range of investors
- Gain exposure to and practice with the tools of modern investors, including the due diligence process, portfolio construction, forecasting with Excel, and interpreting statistical models
- Gain familiarity with every major asset class in which impact investors operate
- Understand the differences among various kinds of investment and be able to articulate the pros and cons of each kind
- Debate the creation of the rules and standards that govern “prudent” investing in a range of markets, and argue for which rules and standards should govern prudent impact investing
- Master a SIMPLE model to assess the content and relative strength of any investment in any asset class
- Meet some of the world’s best impact investors and ask them (almost) anything
- Think critically about what makes a good investment (and what makes a terrible investment)
- Lay out a full capital raise strategy for any impact-oriented business
- Assemble the components of a new impact fund and pitch that fund to a board of institutional investors
- Comment on what needs to be done to channel more capital in to impact investing

Requirements and Grading

1. Class Participation (10%) -- This class is designed as a process of collective exploratory learning. Participants will be evaluated on their contributions to that process, which include participating in class discussions and small group exercises, and helping evaluate the work of other participants and participant groups. Extra weight will be given to contributions during classmates' presentations.

2. Case Study Write-Ups (25%) – For up to 3 of the cases on the syllabus, write a memo-style response to the problem(s) posed. Each memo should be no longer than 3 pages, double-spaced. We will conduct a brief tutorial on memo writing during the second week of class and model memos will be distributed directly after the second week of class. Your grade will be your single highest case study write-up.

3a. Reactions to the readings (25%) – Beginning in week 2, submit at least one paragraph summarizing your reactions to the reading(s) for that week. Reactions to the reading(s) are due each Monday at 6:25 PM and can be submitted electronically. Late papers will receive zero credit. During the first class session, we will conduct a brief tutorial on writing the reactions paragraphs and a model paragraph will be distributed that same session. Each student who chooses this option will get 6 “free” weeks—at his or her discretion—when no reaction paragraph will be due (though papers are always encouraged!).

OR

3b. Mid-term Pitch (25%) – On your own, integrate what we have learned about wise investments to pitch a new or relatively young enterprise (ideally your own) to a panel of your peers, who will serve as possible investors in your company. More information about this assignment will be given in Class 5: Pitches and Umpires.

4. Team presentation (40%) – In teams of 5-6 people, you will deliver a 10-minute presentation on one of three topics: a) A specific impact investment that you are pitching to a specific investor. The pitch must include a comparison to a similar non-impact investment. b) A specific impact investment *fund* that you are pitching to a specific institutional investor. The pitch must

include a comparison to a similar non-impact fund. c) A presentation on any topic of your choosing related to the course material and cleared by the professor before April 2nd.

Regardless of the topic chosen, a 3-5 page write-up—due by midnight on May 3rd—should accompany the team presentation.

A note about great class participation

Though class participation is only 10% of your final grade, I consider it to be one of the most important parts of your grade. Great class participation makes our time together more enjoyable and more productive. Exceptional comments yield an enthusiastic “Yes!” to the following questions:

- Are the points made relevant to the discussion?
 - Is there evidence of analysis rather than simply an expression of opinion?
 - Do they go beyond a mere recitation of facts, and are implications clearly drawn?
 - Are the comments linked to those of others?
 - Does the contribution further the class’ understanding of the issues?
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A note about the draconian grading policy at USC Marshall

I am obligated to adhere to the USC Marshall School of Business’ grading standards for graduate programs. In general, **final course grades at the graduate level must average approximately B+ (3.3)**. The graded elements of this course are listed in this syllabus along with information about how they will be evaluated.

Evaluation of Your Work

You may regard each of your submissions as an “exam” in which you apply what you’ve learned according to the assignment. I will seek to make my expectations for the various assignments clear and to have the evaluations occur on a fair and objective basis. If you feel that an error has occurred in the grading of any assignment, you may, within one week of the date the assignment is returned to you, write me an e-mail memo in which you request that I re-evaluate the assignment. Explain fully and carefully why you think the assignment should be re-graded. Be aware that the re-evaluation process can result in three types of grade adjustments: positive, none, or negative.

Grades for assignments and exams will be considered final if no e-mail request for a change has been received by me within the two-week time period.

Statement on Academic Integrity

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one’s own academic work from misuse by others as well as to avoid using another’s work as one’s own. All students are expected to understand and abide by these principles. SCampus, the Student Guidebook, contains the University Student Conduct Code (see University Governance, Section 11.00), while the recommended sanctions are located in Appendix A.

Classroom Policies

- **Be Engaged** – This topic is dynamic and classroom discussions will be integral to the learning process. Please complete reading assignments before class and use the discussion questions outlined as a basis for the in-class discussion. Please be prompt and ready to begin at the start of class. *If you have to miss class for any reason, please e-mail me prior to the start of class.*
- **Name Cards** – Please display your name card in front of your seat.
- **Absences** – Emergencies come up. I get it. But please let me know *prior to class* if you need to miss the class. You will be responsible for completing the readings and getting notes from a classmate.
- **Guest Speakers** – Before, during, and after class, please treat all of our distinguished guest speakers with the respect that they have earned. If you would like to contact any of our guests please let me know prior to any communication.
- **Assignments** – Assignments must be submitted via email on the dates and times listed above. Late assignments will lose a half a grade per day.
- **Electronics** – Laptop, iPad, Cell Phone, and other electronic device use is strongly discouraged during class. If you need to use an electronic device during class, please contact me to discuss. Otherwise, just know that if I catch you casually scrolling or shopping, you are extremely likely to be cold called at that very moment. I don't like to do it, but the class works much better when everyone is fully present. Also, videotaping lectures is not permitted due to copyright infringement regulations.

Student Evaluations

Your feedback to me during the course is important. I will administer a mid-term review to gauge how the course is going. If you have any specific issue with the course at any time and I can address it, I encourage you to reach out to me at Maltzer@usc.edu. I will do everything I can to help you. In addition, toward the end of the course students will be asked to provide a confidential assessment of the course. These assessments are an important source of feedback and they impact how the course will be taught in future semesters. Thank you in advance for helping this course get better.

Students with Disabilities

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability that may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Disability Services and Programs (www.usc.edu/disability). DSP provides certification for students with disabilities and helps arrange the relevant accommodations. Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: ability@usc.edu.

Office Meetings and Other Contacts Outside of Class

I encourage you to feel free to confer with me outside of class. Contact may occur through in-person meetings, e-mail or it may make sense to discuss by phone. Just as it will be during your career, meeting times are best coordinated “by appointment.” Hopefully meetings will be a helpful and enjoyable part of the course. Please send an e-mail at Maltzer@usc.edu to request a time to meet. The targeted meeting times are Monday 5:00-6:00 PM and Monday 9:30-10:30 PM

If the times shown above conflict with your classes or other obligations, please identify in your e-mail two or three other possible times to meet. If an in-person meeting faces scheduling difficulties, e-mail is an easy way to reach out and connect.

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Module	Class	Date	Topic	Assignments
Fundamentals	1	1/7	Introduction to the Investor	<ul style="list-style-type: none"> Welcome Questionnaire Readings
	2	1/14	Introduction to the Enterprise	<ul style="list-style-type: none"> Readings
	NO CLASS	1/21	MLK Day	
	3	1/28	Introduction to the Rules and the Tools	<ul style="list-style-type: none"> Team selection for final project SASB Case Readings
Wise Investments	4	2/4	The Asset Class Menagerie	<ul style="list-style-type: none"> Submit choice of which midterm you'll do Readings
	5	2/11	Pitches and Umpires	<ul style="list-style-type: none"> Readings
	NO CLASS	2/18	Presidents' Day	
	6	2/25	The Most Important Thing	<ul style="list-style-type: none"> Midterm pitches Honest Tea case Readings
	7	3/4	Tales from the Funded	<ul style="list-style-type: none"> Remaining midterm pitches Midterm evaluations Team selection for final project Readings
	NO CLASS	3/11	Spring Break	
Models	8	3/18	Equities, Liquid Markets, and Why Transparency is Complicated	<ul style="list-style-type: none"> Generation IM case Check-in with final project teams Readings
	9	3/25	Private Equity, Partnerships, and Regulation	<ul style="list-style-type: none"> Angeleno Group mini-case One-page preliminary plan for final presentation Readings
	10	4/1	Debt, Risk, and the Rest of Impact Investing's Galaxy	<ul style="list-style-type: none"> Check-in with final project teams Readings
	11	4/8	Venture Capital and the Secret Sauce	<ul style="list-style-type: none"> DBL Partners case Readings
	12	4/15	Venture Philanthropy and the Importance of Marketing	<ul style="list-style-type: none"> Final team pitches Acumen case Readings
	... next	13	4/22	Group Presentations and the Way Forward

Module 1: Fundamentals

January 7, 2019

Class 1: Introduction to the Investor

Assignments Due: **Please fill out the Welcome Questionnaire before class if possible.** Also, please complete the four readings.

Top Three Discussion Questions (Make SURE you have answers to these questions): To you, what are three characteristics of an investor? If an investor does her job well, what happens? What sorts of things do many investors not consider and what are the consequences for them and for society?

Case: None

Readings (read in this order):

Friedman, Milton. (1970, September). The Social Responsibility of Business is to Increase its Profits. *The New York Times Magazine*. Retrieved from <http://umich.edu/~thecore/doc/Friedman.pdf>

Fink, Laurence D. (2018, January 16). *Larry Fink's Annual Letter to CEOs: A Sense of Purpose*. Retrieved from <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

Bittman, Mark. (2014, July 15). The True Cost of a Burger. *The New York Times*. Retrieved from <http://www.nytimes.com/2014/07/16/opinion/the-true-cost-of-a-burger.html? r=0>

Riley, Brittney. (2017, April 24). How should investors evaluate founding teams? Retrieved from <http://bit.ly/2oqa2zu>

Extra Readings:

The Impact Investor, Intro and Chapter 2

Case Foundation: A Short Guide to Impact Investing. Retrieved from <https://casefoundation.org/resource/short-guide-impact-investing/>

Where in the hype is impact investing? *Impact Alpha*. Retrieved from <http://impactalpha.com/where-in-the-hype-cycle-is-impact-investing/>

Starr, K., Hattendorf, L. (2012). The Trouble with Impact Investing, Part 1, Part 2, Part 3, San Francisco: Stanford Social Innovation Review: http://ssir.org/articles/entry/the_trouble_with_impact_investing_part_1;
http://ssir.org/articles/entry/the_trouble_with_impact_investing_part_2;
http://ssir.org/articles/entry/the_trouble_with_impact_investing_p3

We will review details of the group project and all other deliverables in this class.

January 14, 2019

Class 2: Introduction to the Enterprise

Assignment Due: Readings

Top Three Discussion Questions (Make SURE you have answers to these questions): What is an example of a great business and why is it great? What is an example of a great social enterprise and why is it great? What is your ideal enterprise and how will it be sustaining itself in 2030?

Other Discussion Questions: Let's build a business from the ground up. What do I need? What do all businesses have in common? What is an example of a strange business and what sustains it? Why do you want to run an enterprise? What are some really acute "pain points" for your business?

Case: None.

Readings:

The Impact Investor, Intro, Chapters 1 and 3

Collins, Jim. (2001, October). *Good to Great*, PDF Handout

January 28, 2019

Class 3: Introduction to the Rules and the Tools

Featuring Jean Rogers, Co-Founder of the Sustainability Accounting Standards Board (SASB)

Assignments Due: Readings

Top Four Discussion Questions (Make SURE you have answers to these questions): What do financial analysts have that impact analysts do not have? Why is that such a big deal? What rules do you think should be put in place for impact investors? What tools would help you be a better evaluator of impact investment opportunities?

Case: Battilana, J., Norris, M. "The Sustainability Accounting Standards Board," HBS No. N9-413-019, Boston: Harvard Business School Publishing, 2014.

Readings (read in this order):

Cambridge Associates. (2015, June). Introducing the Impact Investing Benchmark. Retrieved from <https://www.cambridgeassociates.com/research/introducing-the-impact-investing-benchmark/>

Meritus Ventures. (2013). Due Diligence Checklist. Retrieved from http://www.meritusventures.com/template_assets/pdf/diligence.pdf

Root Capital. (2015). Social & Environmental Due Diligence. Retrieved from <http://info.rootcapital.org/social-and-environmental-due-diligence>

Thorpe, Devin. (2017, February 26). How Social Entrepreneurs Begin To Measure Impact. *Forbes*. Retrieved from <https://www.forbes.com/sites/devinthorpe/2017/02/26/how-social-entrepreneurs-begin-to-measure-impact/#4e9816f65787>

Extra Readings:

The Impact Investor, Chapter 5

Excel Basics. Retrieved from <https://www.excel-easy.com/basics.html>

Excel Quick Start Tutorial. Retrieved from https://www.udemy.com/excel_quickstart/

Financial statements: The Four Components. Retrieved from <https://www.marsdd.com/mars-library/financial-statements-the-investing-in-impact-ventures>

*Any part of this syllabus is subject to change by the instructor. Notice of any change will be given in class and via e-mail.

[four-components/](#)

Extra Optional Readings:

Criterion Institute (2013). Gender Lens Investing Tool: Designing an Action Plan. Retrieved from <https://criterioninstitute.org/resources/gender-lens-investing-tool-designing-an-action-plan>

Goldstein, S. (2014). Equity vs. Debt. Retrieved from <http://blog.thesecretsofraisingmoney.com/equitydebt/>

Feld, B. (2011). How Convertible Debt Works Retrieved from <http://www.feld.com/archives/2011/10/how-convertible-debt-works.html>

Suster, M. (2010). Is Convertible Debt Preferable to Equity? Retrieved from <https://bothsidesofthetable.com/is-convertible-debt-preferable-to-equity-1103ab32d091>

Villalobos, L. (2007). Methods for Valuation of Seed Stage Startup Companies. Retrieved from <http://www.angelcapitalassociation.org/data/Documents/Resources/AngelCapitalEducation/ACEF - Valuing Pre-revenue Companies.pdf>

Downes, J. and Goodman, J. (2014). [Dictionary of Finance and Investment Terms](#). New York, NY: Barron's Educational Series.

In-Class Video: “Most Common Financial Reports.” <https://www.lynda.com/course/shareredirect/368915?org=usc.edu>

Module 2: What makes wise investments

February 4, 2019

Class 4: The Asset Class Menagerie

Assignments Due: Readings

Top Three Discussion Questions (Make SURE you have answers to these questions): When you thought of an “investor” in the first class, in what asset class(es) did that investor operate? What core principles unite all investors? Why is it so hard to be good at investing in multiple asset classes?

Case: None

Readings (read in this order):

Maltzer, E. (2019). Investment for Impact: A Simple Primer on How Money can Serve Values In *Perspectives on Impact: Leading Voices on Making Systemic Change in the Twenty-First Century*. Oxford, UK: Routledge.

The Impact Investor, Chapter 2

Asset Class. Retrieved from <https://corporatefinanceinstitute.com/resources/knowledge/trading-investing/asset-class/>

Asset Classes Explained. Retrieved from <https://www.blackrock.com/ch/individual/en/education/understanding-investments/asset-classes-explained>

February 11, 2019

Class 5: Pitches and Umpires

Featuring Yair Vardi, Fusion LA

Assignments Due: Readings

Top Four Discussion Questions (Make SURE you have answers to these questions): What are the most common reasons you have given for investing in something? On what did you base your decision? How do professional investors differ? To what do they respond?

Case: None

Readings (read in this order):

Feld, B. (2004). The Tortuous World of Powerpoint. Retrieved from <http://www.feld.com/archives/2004/06/the-torturous-world-of-powerpoint.html>

Barnett, C. (2014). The Ultimate Pitch Deck. Retrieved from <https://www.forbes.com/sites/chancebarnett/2014/05/09/investor-pitch-deck-to-raise-money-for-startups/>

Botha, R. (2005). Sequoia's Seed Investment in Youtube. Retrieved from http://milesgrimshaw.com/sequoia-investment-memo/?utm_content=bufferf00a2&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

Extra Readings:

Cowan, D. (2005). How Not to Write a Business Plan. Retrieved from: <http://whohastimeforthis.blogspot.com/2005/11/how-to-not-write-business-plan.html>

Kaiser, N. (2014). What is a VC/Angel Investor Looking For? Retrieved from: <https://vcinjeans.quora.com/What-is-a-VC-Angel-Investor-Looking-For>

Schlafman, S. Startup Pitch Decks. Retrieved from <https://www.slideshare.net/schlaf/startup-pitch-decks>

Tunguz, T. (2013). The 11 Risks VCs Evaluate. Retrieved from <http://tomtunguz.com/the-11-risks-vcs-evaluate/>

Extra Optional Readings:

World Economic Forum. (2014). Best Practices for High-Performing Impact Investing Fund Managers. Retrieved from http://reports.weforum.org/impact-investing-from-ideas-to-practice-pilots-to-strategy/4-5-best-practices-of-high-performing-impact-investing-fund-managers/?doing_wp_cron=1549764052.5248389244079589843750

Teten, D. (2012). How VCs Can Accelerate Portfolio Company Returns. Retrieved from <https://teten.com/blog/2012/03/28/how-vcs-can-accelerate-portfolio-company-returns/>

Teten, D. (2013). Strategies for VCs to Increase Startup Success Odds. Retrieved from <https://techcrunch.com/2013/03/30/the-lower-risk-startup-how-venture-capitalists-increase-the-odds-of-startup-success/>

Lacy, K. (2015). Value Add VCs are not... Retrieved from: <http://venturebeat.com/2015/05/26/value-add-vcs-are-not-bullshit-heres-why/>

Feld, B. (2015). The Paradox of VC Value Add. Retrieved from: <http://www.feld.com/archives/2015/04/paradox-vc-value-add.html>

February 25, 2019

Class 6: The Most Important Thing

Featuring Michael Stoppelman, former CTO, Yelp

Assignments Due: Readings, case study write-up, and midterm pitches

Top Three Discussion Questions (Make SURE you have answers to these questions): From the perspective of an investor in some of the asset classes we have discussed, what are the three most important things to you? From the perspective of a business hoping to grow, what are the three most important things to you? Why is it important to focus on The Most Important Thing?

Other Discussion Questions: What differentiates success from failure in investing? What differentiates success from failure as an enterprise? What are the different financial statements used to make decisions? What impact measurements are used to make decisions? What are *different* ways for valuing a social enterprise? What is the purpose of pro forma financial statements for startups? How can entrepreneurs predict revenue? What fundraising tips do you find helpful?

Case: Honest Tea

Readings (read in this order):

The Impact Investor, Chapters 7 and 8

Marks, H. (2011). *The Most Important Thing: Uncommon Sense for the Thoughtful Investor*. New York: Columbia University Press. (Free excerpt will be provided in class 5 and electronically, but the whole book is excellent).

Extra Readings:

Bussgang, Jeffery, J., "Raising Startup Capital," February 21, 2014. Retrieved from <https://www.alumni.hbs.edu/Documents/events/RaisingStartupCapital.pdf>

Villalobos, L. (2007). Methods for Valuation of Seed Stage Startup Companies. Retrieved from http://www.angelcapitalassociation.org/data/Documents/Resources/AngelCapitalEducation/ACEF_-_Valuing_Pre-revenue_Companies.pdf

Dichter, Sasha et al "Closing the Pioneer Gap," Winter 2013: https://ssir.org/articles/entry/closing_the_pioneer_gap

Clark, Cathy, et al, "When Should You Raise Money From an Impact Investor?" January 2013: <https://hbr.org/2013/01/when-you-should-see-capital-f>

Nerenberg, Jenara, "Husk Power Systems Wants to Lead a Revolution in Electricity," January 5, 2011: <https://www.fastcompany.com/1714395/husk-power-systems-wants-lead-revolution-electricity>

Carey, Eileen, "Raising Capital as a First Time Founder," September 22, 2015: <https://medium.com/female-founders/raising-capital-as-a-first-time-founder-74533f6e288#.7auacxhnm>

Foley-Wong, Bonnie, "Valuing a Company - Part 1 and Part 2," June 2012: <http://piqueventures.com/valuing-a-start-up-company-part-1/> and <http://piqueventures.com/valuing-a-company-part-2-social-impact/>

March 4, 2019

Class 7: Tales from the Funded

Featuring Simon Roddy, Jane Technologies and Natalie Rix, Swell Investing

Assignments Due: Readings and midterm pitches

Top Three Discussion Questions (Make SURE you have answers to these questions): What do you think the most important characteristics are of companies who successfully raise millions of dollars? What do you think the biggest *differentiator* is between companies who get funded and companies who don't? If you were seeking funding, what would be your biggest two worries?

Other Discussion Questions: As you listen to our funded guests, what do you think investors saw when they met them? How do great impact investments pitch themselves to investors? In what ways will investments in our guests achieve alpha or lower beta for investors?

Case: None

Readings (read in this order):

Milburn, Robert, "Impact Investing Done Right," November 28, 2015: <http://www.barrons.com/articles/impact-investing-done-right-1448684226>

Extra Readings:

Chapter 6&7: <http://www.rockpa.org/wp-content/uploads/2016/02/MONO-SolutionForImpactInvestors2.pdf>

Emerson, Jed, "Risk, Return and Impact: Understanding Diversification and Performance Within an Impact Investing Portfolio," http://www.impactassets.org/files/downloads/ImpactAssets_IssueBriefs_2.pdf

Extra Optional Readings:

Brau, James C. et al, "Microfinance: A Comprehensive Review of the Existing Literature," December 2004: <http://digitalcommons.pepperdine.edu/cgi/viewcontent.cgi?article=1074&context=jef>

Duvendack, Maren et al., Executive Summary: "What is the evidence of the impact of microfinance on poor people?" https://www.givedirectly.org/pdf/DFID_microfinance_evidence_review.pdf

Hulme, David, "The story of Grameen Bank: from subsidized microcredit to market-based microfinance," November 2008. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1300930

Bruck, Connie, "Millions for Millions: This year's Nobel Peace Prize winner and some high-tech entrepreneurs are competing to provide credit to the world's poor." <http://www.newyorker.com/magazine/2006/10/30/millions-for-millions>

*****HAVE A GREAT SPRING BREAK*****



Module 3: Models of Impact Investment

March 18, 2019

Class 8: Equities, Liquid Markets, and Why Transparency is Complicated

Featuring Eva Zlotnicka, Vice President at ValueAct

Assignments Due: Readings and case study write-up

Top Three Discussion Questions (Make SURE you have answers to these questions): Why has there been so much work in impact/sustainable/SRI/ESG investing in equities? How does investing in the stocks of high-sustainability companies change the world? How does it change the companies?

Other Discussion Questions: What is sustainable investing? What are ESG factors? How is ESG investing beneficial to investors?

Case: Sucher, Beyersdorfer, Jensen, "Generation Investment Management," HBS No. 9-609-057, Boston: Harvard Business School Publishing, 2009.

Readings (read in this order):

Jain, V., "Investing in Change": https://ssir.org/articles/entry/investing_in_change

Herbst-Bayliss, Svea. "Ubben's socially conscious ValueAct Spring Fund bets on workplace wonk" Retrieved at <https://www.reuters.com/article/us-hedgefunds-valueact-idUSKCN1QG1G8>.

Chediak, Mark and Hammond, Ed. "ValueAct Takes Stake in Hawaiian Electric for Renewable Push." Retrieved at <https://www.bloomberg.com/news/articles/2018-10-25/valueact-takes-stake-in-hawaiian-electric-for-renewable-push>.

Deveau, Scott. "ValueAct Environmental Push Adds Textiles-From-Bottles Maker." Retrieved at <https://www.bloomberg.com/news/articles/2018-05-14/valueact-environmental-push-adds-textiles-from-bottles-maker>.

March 25, 2019

Class 9: Private Equity, Partnerships, and Regulation

Featuring Yaniv Tepper, CEO of Angeleno Group

Assignments Due: Readings, case study write-up, and 1-page preliminary plan for team presentation

Mid-Semester Group Project Update: Come to class prepared to share a brief overview of your project. What is your investment thesis?

Top Three Discussion Questions (Make SURE you have answers to these questions): How do private equity firms make their money? How do private equity firms make SO MUCH money? Why can't you start a private equity firm?

Other Discussion Questions: What do private equity firms look for in investments? What kinds of firms are most successful in getting private equity investment? Is there anything else in the investing world similar to private equity? Why might private equity investors be especially interested in impact investing? Why might they not be interested?

Case: Angeleno Group (mini-case)

Readings (read in this order):

Snow, D. (2007). Private Equity: A Brief Overview. Retrieved from https://www.law.du.edu/documents/registrar/adv-assign/Yoost_PrivateEquity%20Seminar_PEI%20Media's%20Private%20Equity%20-%20A%20Brief%20Overview_318.pdf

World Bank, “What are Public Private Partnerships,” October 2015: <http://ppp.worldbank.org/public-private-partnership/overview/what-are-public-private-partnerships>

Bangkok’s SkyTrain: <http://www.unescap.org/sites/default/files/Case%201%20Traffic%20Demand%20Bangkok%20BTS.pdf>

Extra Readings:

Esty, B., Chavich, C., Sesia, A. (2014, July)) "An Overview of Project Finance and Infrastructure Finance—2014 Update." Harvard Business School Background Note 214-083. Retrieved from <https://www.hbs.edu/faculty/Pages/item.aspx?num=47358>

National Council for Public Private Partnerships, “7 Keys to Success” <http://www.ncppp.org/ppp-basics/7-keys/>

April 1, 2019

Class 10: Debt, Risk, and the Rest of Impact Investing’s Galaxy

Featuring Bobby Turner, CEO of Turner Impact Capital

Assignments Due: Readings

Top Four Discussion Questions (Make SURE you have answers to these questions): Using the models we discussed at the beginning of the class, tell me why do people spend their time investing in debt? What type of financing you read about this week surprised you or confused you? How do you think social enterprises ought to be financed? What’s stopping that from happening?

Readings (read in this order):

Bahceci, S., Leh, S. (2017). The Infrastructure Moment. Retrieved from <https://www.jpmorgan.com/jpmpdf/1320744868579.pdf>

Extra Readings:

PRIs

Etzel, M. (2015). “New Regulations Boost Social Impact Investing.” https://ssir.org/articles/entry/new_regulations_boost_social_impact_investing

Brest, Paul, “Investing for Impact with Program Related Investments.” Retrieved from https://ssir.org/articles/entry/investing_for_impact_with_program_related_investments

Grantcraft, “Program Related Investing, Skills & Strategies for New PRI Funders,” http://www.exponentphilanthropy.org/docs/default-source/2016-national-conference/resources/Leveraging_Foundation_Dollars_Grantcraft_Guide.pdf

DAFs

Feuss, Bert et al, “Driving Impact Through Donor Advised Funds”: http://www.impactassets.org/files/Issue_Brief_12.pdf

Mission Investors, “A Guide to Program Related Investments,” April 2012: <https://www.missioninvestors.org/system/files/tools/ximize-your-philanthropic-capital-a-guide-to-program-related-investments-lucia-benabentos-justin-storms-carlos-teuscher-and-jon-van-loo-linklaters-llp.pdf>

Foundations

Lilly Family School of Philanthropy “Leveraging the Power of Foundations,” https://philanthropy.iupui.edu/files/research/complete_report_final_51713.pdf

Social Impact Bonds

Hartley, J. (2014). Social Impact Bonds are Going Mainstream.

<http://www.forbes.com/sites/jonhartley/2014/09/15/social-impact-bonds-aregoing-mainstream/>

Social Finance UK. (2016). Evaluating Impact Bonds.

http://www.socialfinance.org.uk/sites/default/files/publications/ciff_report_final.pdf

MaRS CII (2017). The Pay-for-Success Opportunity: From Activities to Outcomes.

<https://impactinvesting.marsdd.com/resource/pay-success-opportunity-activitiesopportunities/>

Equity Crowdfunding

Cormick, A. (2016). Equity Crowdfunding for Entrepreneurs (in Canada). <http://ncfacanada.org/for-entrepreneurs/>

Gender Lens Private Equity and Venture Capital

Wharton (2017). Gender Lens Investing 101.

<https://socialimpact.wharton.upenn.edu/genderlensinvesting/gender-101/>

Hera, J. (2017). How to invest with a gender lens.

<https://marigold-capital.com/how-to-invest-with-a-gender-lens/>

Blended Finance

OECD. (2017). Blended Finance.

<http://www.oecd.org/dac/financing-sustainable-development/developmentfinance-topics/blended-finance.htm>

OECD. (2017). Blended Finance Policy Perspectives.

<https://www.oecd.org/cgfi/forum/Blended-finance-Policy-Perspectives.pdf>

World Economic Forum and OECD “A How to Guide for Blended Finance,” 2015.

http://www3.weforum.org/docs/WEF_Blended_Finance_How_To_Guide.pdf

Real Estate and Infrastructure

Rhode Island Infrastructure Bank, CBEY: <http://cbey.yale.edu/file/3275/download?token=1MONwoIb>

GRESB presentation, Credit Suisse 2016

<https://www.creditsuisse.com/media/production/assetmanagement/docs/real-estate/gresbpresentation-2016-en.pdf>

Inter-American Development Bank, <http://www.iadb.org/en/resources-for-businesses/impact-investing-in-latin-america-and-the-caribbean,5752.html>

Podcast: OPIC Socially Responsible Investment Finance: <https://fsg.org/tag/investing-in-impact-podcast/page/2/>

Clean Trillion report of Ceres

<https://www.ceres.org/resources/reports/investing-clean-trillion-closing-cleanenergy-investment-gap>

<https://www.credit-suisse.com/media/assets/corporate/docs/about-us/responsibility/banking/aiming-for-impact.pdf>

April 8, 2019

Class 11: Venture Capital and the Secret Sauce

Featuring Sean Foote, Managing Director of Co=Creation=Capital, Brandon Crossley, Founder and CEO at Poindexter, Lauren Graham, Founder and CEO of Velvet Frame, Anthony Kelani, Managing Director of Quake.VC, Trevor Wilkins, Principal at Quake.VC

Assignments Due: Readings, case study write-up

Top Three Discussion Questions (Make SURE you have answers to these questions): What makes a great venture capitalist and why is someone's skill at VC so hard to figure out? What makes a great venture capital investment and why is an investment's quality so hard to figure out? If you had unlimited power and knowledge, what could you do to more precisely assess venture capitalists and their investments?

Case: DBL Partners

Readings (read in this order):

Feld, B., Mendelson, J. (2016). *Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist*. Hoboken, NJ: Wiley. (Chapters 1-3).

The Impact Investor, Chapter 4

The Commonwealth Club March 2017 [Nancy Pfund on Impact Investing](#)

NYT January 2017 article DBL, ["Trump May Not Like Alternative Energy, but Investors Should."](#)

Nancy Pfund WSJ op-ed April 2017, ["Seed" Capital Takes On New Meaning as Farms Go Digital](#)

DBL white paper titled ["THE 2017 INAUGURATION: Empowering a Clean Energy Nation"](#)

NYT DealBook October 2014 article on DBL ["Venture Capital Firm Invests in Start-Ups With a Social Mission"](#)

Passion Capital (2013). Plain English Term Sheet.

<https://www.dropbox.com/s/pc0208kjk3jti7c/20130620%20Passion%20Capital%20Plain%20English%20Term%20Sheet.pdf>

Extra Readings:

Roberts, B. (2015). Indie.vc Summary of Terms. https://docs.google.com/document/d/1BE7IL_64pzC2IMo1sGVbLIVa7hAygF-5DuSuq74RtUY/edit

Wilson, F. (2015). VC Fund Economics. <http://avc.com/2014/05/vc-fund-economics/>

O'Donnell, C. (2015). The Economics of a Small VC Fund. <http://www.thisisgoingtobebig.com/blog/2014/5/12/the-economics-of-a-small-vcfund.html?rq=fund%20economics>

Wilson, F. (2008). Venture Fund Economics. <http://avc.com/2008/08/venture-fund-ec/>

TechCrunch. (2014). Deciphering The Economics of Venture Capital. <http://techcrunch.com/2014/05/24/deciphering-the-economics-of-venture-capital/>

Feld, B. (2005). Term Sheet Series. <http://feld.com/archives/2005/08/term-sheet-series-wrap-up.html>

<https://www.entrepreneurship.org/articles/2007/07/startup-premoney-valuation--the-keystone-to-return-on-investment>

April 15, 2019

Class 12: Venture Philanthropy and the Importance of Marketing

Featuring Eva Yazhari, Founder and CEO of Beyond Capital

Assignments Due: Readings, case study write-up, and (early birds') final team presentation

Top Three Discussion Questions (Make SURE you have answers to these questions): What is venture philanthropy and how can you tell it isn't venture capital? Why might you want funding from venture philanthropists or "patient/catalytic capital" and what might you do to increase your chances of this happening? Why aren't there more venture philanthropists in the world?

Other Discussion Questions: What is first-loss capital and how can it be effectively used? What is catalytic capital? What is patient capital? What are some examples?

Case: Acumen

Readings (read in this order):

Koh, H., Karamchandani, A., Katz, R. (2012). "Blueprint to Scale: The Scale for Philanthropy in Impact Investing." Retrieved from http://acumen.org/content/uploads/2013/03/From-Blueprint-to-Scale-Case-for-Philanthropy-in-Impact-Investing_Full-report.pdf

Emerging Capital Partners, Investment Approach: <http://www.ecpinvestments.com/index.php/portfolio-companies/our-approach/>

Module 4: Show us the way

April 22, 2019

Class 13: Group Presentations and the Way Forward

Featuring Nick Melvoin, LA Unified School District and Lauren Cochran, Blue Haven Initiative

Assignments Due: Final team presentation

Top Three Discussion Questions (Make SURE you have answers to these questions): What did you enjoy about this course? Did you accomplish what you set out to do in this course? How will you approach finance and investing differently now?

Other Discussion Questions: What policies have shown to be best practices? How can the sector attract more investments? What incentives are good incentives? Where is there room for more innovation? What changes are needed in the regulatory environment? Where are the jobs in impact investing? What are some great conferences on impact investing? How can Trojans stay in touch with impact investing?

Case: None

Readings: None!

Extra Readings: Take a break already. Focus on some You Time.

Case Studies

These are to be completed individually and be no longer than 3 pages double-spaced. Below are the cases and the dates on which they will be discussed. Each assignment has to be turned in by 6:25 PM on the day the case will be discussed in class. No late submissions, no exceptions. EVERYONE IS REQUIRED TO READ EACH CASE STUDY FOR CLASS DISCUSSION.

Class 3 (1/28): The Sustainability Accounting Standards Board

Class 6 (2/25): Honest Tea

Class 8 (3/18): Generation Investment Management

Class 9 (3/25): Angeleno Group

Class 11 (4/8): DBL Partners

Class 12 (4/15): Acumen

Recommended Websites for Impact Investing Enthusiasts

The Global Impact Investing Network (GIIN): <https://thegiin.org/>

Impact Reporting and Investment Standards (IRIS): <https://iris.thegiin.org/>

Case Foundation Guide: <https://casefoundation.org/resource/short-guide-impact-investing/>

Case Foundation Map: <https://casefoundation.org/networkmap/>

ImpactAlpha: <https://news.impactalpha.com/>

ImpactAssets 50: https://www.impactassets.org/publications_insights/impact50

Mission Investors Exchange: <https://missioninvestors.org/>

US SIF: <https://www.ussif.org/>

Additional Reading for Above and Beyond Learners

Axelrad, B. (2011). Investing Beyond Exit. Stanford Social Innovation Review. Retrieved at http://www.ssireview.org/blog/entry/investing_beyond_exit

Libes, Michael. (2014). Investing without “Exits”. Retrieved at <http://lunarmobiscuit.com/investing-without-exits/>

Libes, Michael. (2015). Aligning Entrepreneur and Investor Interests. Retrieved at <http://lunarmobiscuit.com/aligning-investor-incentives/>

Lighter Capital (2014). Revenue-based Financing. Retrieved at <https://www.lightercapital.com/how-it-works/revenue-based-financing/>

White, R. (2015). SAFEs and KISSes – Alternative Investment Vehicles. Retrieved at <http://www.thesecuritiesedge.com/2015/05/safes-and-kisses-alternativeinvestment-vehicles-can-help-early-stage-companies-get-financed/>

Winninghof, E. (2013). Angel Investors Sacrifice Ownership Stakes for Profits. Retrieved at <http://www.fa-mag.com/news/a-new-tool-for-angel-investors-13957.html>

Spencer E. Ante. [Creative Capital: Georges Doriot and the Birth of Venture Capital](#). (Harvard Business Review Press; 1st Edition (March 11, 2008)).

Peter L. Bernstein. [Capital Ideas Evolving](#). (Wiley; 2nd edition (May 4, 2007))

Zvi Bodie, Alex Kane, and Alan J. Marcus. [Investments](#). (McGraw-Hill Education; 11th edition (May 30, 2017)).

Jason Calacanis. [Angel: How to Invest in Technology Startups—Timeless Advice from an Angel Investor Who Turned \\$100,000 into \\$100,000,000](#). (HarperBusiness (July 18, 2017)).

Justin J. Camp. [Venture Capital Due Diligence: A Guide to Making Smart Investment Choices and Increasing Your Portfolio Returns](#). (Wiley; 1st edition (February 21, 2002)).

Cyril Demaria. [Introduction to Private Equity: Venture, Growth, LBO and Turn-Around Capital](#). (Wiley; 2nd edition (August 19, 2013)).

John Downes and Jordan Goodman. [Dictionary of Finance and Investment Terms](#). (Barron's Educational Series; 9th edition (April 1, 2014)).

William H. Draper III and Eric Schmidt. [The Startup Game: Inside the Partnership between Venture Capitalists and Entrepreneurs](#). (St. Martin's Press; 1st edition (January 4, 2011)).

Robert Finkel. [The Masters of Private Equity and Venture Capital: Management Lessons from the Pioneers of Private Investing](#). (McGraw-Hill Education; 1st edition (December 14, 2009)).

Robert C. Higgins. [Analysis for Financial Management](#). (McGraw-Hill Education; 11th edition (January 15, 2015)).

Mozaffar Khan, George Serafeim, and Aaron Yoon. "[Corporate Sustainability: First Evidence on Materiality](#)." Harvard Business School Working Paper, No. 15-073, March 2015.

Mahendra Ramsinghani. [The Business of Venture Capital: Insights from Leading Practitioners on the Art of Raising a Fund, Deal Structuring, Value Creation, and Exit Strategies](#). (Wiley Finance; 2nd Edition (August 18, 2014)).

Nate Silver. [The Signal and the Noise: Why So Many Predictions Fail—but Some Don't](#). (Penguin Books; 1st edition (February 3, 2015)).