This document is not an offer to sell, or solicitation of any offer to buy, securities. Any investment entails financial risk and may result in a total loss of investment capital. Examples provided in this report are for illustrative purposes only, and are not intended to be recommendations or endorsements of the companies or organizations identified. Tides encourages you to seek advice regarding any potential investment recommendation or other investment decision from appropriate independent professional advisors.
1. ABOUT

WHAT IS THE PURPOSE OF THIS GUIDE?

As a person who uses your wealth to create financial gain and catalyze social progress, you may feel that you wear multiple hats as you make decisions about deploying money. If you’re thinking about how to preserve the environment, for example, you might wear your philanthropist hat and make charitable grants to mission-aligned nonprofit organizations. But, in another moment, a new financial opportunity might prompt you to switch to your investor hat and consider prospects for risk and financial return. Until recently, these two modes of thinking rarely overlapped. However, a new way forward is emerging – one that uses considerations from both the investment and philanthropic spheres. It’s a practice that leverages tools and approaches from each world to bring about a more integrated and holistic method for generating both positive social and financial gains – a practice generally known as “impact investing.”

Because this multi-pronged philanthropic approach is far from mainstream, there is little professional guidance available to help you effectively use these various tools to maximize the “double-bottom line” potential of impact investing. This guide is intended as an entry point for grantmaking and investing for social impact, with practical direction on how to apply these principles to your own portfolio.

As noted above, this guide is not an offer to sell, or a solicitation of any offer to buy, securities. We encourage you to seek advice regarding any potential investment recommendation or decision from appropriate independent professional advisors.

WHO IS IT FOR?

This guide is intended to be used by individual donors who seek to maximize social and financial impact across their portfolios, although this coordinated approach can also be used by organizations seeking to do the same. We assume familiarity with basic terms associated with impact investing but also include a short glossary with some key terms at the end of this guide. For those who would benefit from a quick refresher course, we suggest reviewing “Construction of an Impact Portfolio: Total Portfolio Management for Multiple Returns” by Jed Emerson and Lindsey Smalling of ImpactAssets.

HOW DO I USE IT?

The introduction provides some basic context for the guide that follows. Key questions to consider, integrated throughout the guide, are numbered and highlighted in blue. These questions, with space to fill in your own answers, can also be found on the worksheet at the end of the guide. We have also included an example case for illustrative purposes.
AN INTEGRATED APPROACH TO INVESTING FOR IMPACT

Many investors define their primary purpose as identifying market-rate investing opportunities that will maximize financial return. Some also make grants as a way of creating positive social and/or environmental impact. Within those two activities, a risk exists: if an investor isn’t careful, they may counteract their own charitable activities through an investment made for financial gain. For example, if a person invested in Shell but also donated to Greenpeace, they would simultaneously support the fossil fuel industry and advocate for environmental causes that directly oppose that industry’s practices. In other words, their portfolio of grants and investments would be misaligned.

Many investors use screened investments (a practice ensuring that investment dollars go to companies that meet specific social, environmental, or governance-based standards) to avoid such conflicts. However, this strategy still makes a clear distinction between investment dollars – those being used for the purpose of financial return – and charitable grants, which are being used to support good causes in the world.

Comprehensive strategies to integrate social impact and financial goals, blurring the line between those categories in the process, are still a nascent practice. These strategies include charitable grants and mission-aligned investments, both of which further the investor’s vision for social change. This approach requires consideration of various social issues of concern; available financial instruments; sources of capital; different returns, liquidity and risk profiles; tax considerations; and, in some cases, finding comfort in making tradeoffs between these variables.

MARKET-LEVEL CHANGE

Omidyar Network’s article “Across the Returns Continuum”¹ presents a framework for investing capital with a wide range of financial instruments: market-rate return investments; sub-commercial rate investments; and charitable grants (with zero financial return). Of note, are sub-commercial investments where a donor may choose a likely lower financial return in exchange for the potential for outsized positive impact. This impact could come at the individual company-level, when customers benefit directly from the good or service the company provides, or at the market-level, when barriers to a market are lowered, or a whole new market is created. The investment might help demonstrate new products and approaches, or drive regulatory and/or policy changes. These changes can make it more likely for other players to join the space and provide more market-based products, services and choices that will reach underserved or disadvantaged consumers and/or create changes to environmental conditions.

Understanding how to affect broader markets is a powerful part of establishing an investment strategy that can contribute to lasting change. In addition to the continuum, Omidyar Network provides a useful set of criteria that describe three ways in which an individual or company can affect this type of change. They are:

1. **Pioneering a new model**
   This is necessary to create new markets, and often particularly relevant to low-income or rural customers. It can encourage other firms to join; as they do so, an increasingly competitive market will drive down prices and incentivize innovation.

2. **Providing industry infrastructure**
   This can be critical for the development of some markets. This is typically a tough sell for traditional investors, who are reluctant to swallow up-front costs and risks that will likely benefit competitors down the road.

3. **Influencing policy**
   This can help to shape overall market conditions. For example, it can encourage governments to change laws, or spark debate on issues that affect the policy environment for a particular business model.

All of these can play a role in a well-rounded, thoughtful investment strategy.

The pages that follow will guide you on your own impact adventure – from picking an issue area you care about, to identifying investing and granting opportunities, to deciding which type of capital to spend, to determining how you will measure your impact. By the end, we hope you will have actionable next steps to apply to your own capital, making your investing and grantmaking as impactful – and fulfilling – as it can be.
Beginning your impact investing adventure can feel overwhelming, but it starts with the same questions as any other philanthropic journey:

1. **What pressing social or environmental issues do you care about? What problem would you like to address?**

You may be passionate about many causes, but it’s best to start with one or two that are particularly close to your heart. With clear focus at the outset, digging into various aligned and mutually supportive approaches will feel less chaotic and confusing; you’ll be better able to explore them. Many, though not all, pressing social change issues can be addressed with an impact investing approach, using optimized financial structures and types of capital.

The [UN Sustainable Development Goals (SDGs)](https://www.un.org/sustainabledevelopment/sustainable-development-goals/) provide a useful frame for determining how to break down issues of concern and underlying opportunities to invest for impact; many investors have used them as a tool for identifying how and where to focus their interest. These seventeen goals, created during the 2015 UN Sustainable Development Summit, are designed to address and specify the most pressing challenges and opportunities facing humanity and the planet, including: quality education, gender equality, sustainable cities and communities, and climate action; the platform lays out specific targets designed to help achieve each goal. The bibliography includes resources with examples of how impact investing is being deployed in service of the SDGs.

For classic early-stage impact investors, a tight focus on a very specific impact area really helps. For portfolio or 100% impact investors, there is a tension between too tight and too loose a focus. Too tight a focus is difficult to express across multiple asset classes, due to a potential lack of investment opportunities; too loose a focus can make it difficult to prove out a theory of change (we’ll learn more about this on the next page). Thus, most impact funds are not yet focused too tightly around the SDGs, even if they use them as a roadmap for exploring potential areas of impact.

**EXAMPLE**

*My family and I care deeply about animal welfare. We want to align our consumer, investment, and philanthropic spending in support of this area. We’ll follow this example throughout the rest of the guide.*
2. What is your theory of change for your selected issue area – in other words, what actions are needed in order to drive the lasting, systemic change you seek? What investment could drive improvements in your issue area?

It can be helpful to develop a personal “if-then” change statement about the change you think is needed in your chosen issue area. Loosely tying various desired approaches under the broad change you are seeking can help you organize your vision and imagine what success might look like. If you’re already deeply familiar with your target area, you may be able to create your theory of change on your own. If you’re newer to it, you may consider volunteering with established nonprofits or consulting with peers who hold expertise in the area in order to develop your approach. (Note: We include resources for defining and using your theory of change in the bibliography of this guide.)

EXAMPLE

“If more companies made products that met higher humane laws for animal treatment, consumers made better animal welfare-focused buying choices, and fewer domestic animals were born and left uncared for, human and animal health and wellbeing in the U.S. would be greatly improved.”
3. Do you currently support any nonprofit organizations, companies, or funds working in your chosen issue area?

If so, who are they, what do they do, how do you support them, and with which type of support?

**EXAMPLE:**

I make grants to the SF-SPCA. Their impact results are here. I receive the Whole Foods newsletter, and I shop there approximately every two weeks.

You may also make specific lifestyle choices to support causes you believe in.

**EXAMPLE: HUMANE SOCIETY OF THE UNITED STATES, WILD ANIMAL SANCTUARY**

I am vegetarian and don’t buy meat. I also prefer to shop in stores that carry sustainably and humanely produced animal products. At Whole Foods, for example, animal welfare standards include no added hormones, no antibiotics, third-party audits of supplier facilities, and regulations ensuring that all ruminants spend at least two thirds of their life on pasture.

If you don’t currently engage in these actions, which organizations do you believe are doing good work in this area? This may be another good opportunity to consult peers who have expertise around your chosen issue.
4. Based on the organizations you listed, what investing and/or grantmaking opportunities can you identify? For investing, think about individual companies, as well as targeted public, private equity, or loan investment funds screened for impact in your chosen issue area.

---

**MISSION-ALIGNED COMPANIES & FUNDS**
EXAMPLE: WHOLE FOODS, S2G VENTURES, ROSS ROBERTS EMERGENCY VETERINARY FUND

**MISSION-ALIGNED NONPROFITS/SERVICE AGENCIES**
EXAMPLE: SF-SPCA, HUMANE SOCIETY LEGISLATIVE FUND, WILD ANIMAL SANCTUARY

---

5. Are the opportunities investible yet?

Now that you’re developing an idea of the available investment opportunities, you can start to form a picture of the market to decide whether grantmaking or investing (or a combination of both) has the potential to contribute to market-level change.

**ADDITIONAL QUESTIONS TO CONSIDER**

- Is the optimal intervention a good/service, policy advocacy, a media campaign, a piece of art (for example, a documentary film or theatre production), or something else altogether?
  - If it is a good/service, how feasible is the revenue model for fulfilling the purpose of that good/service at its current stage?
  - If it’s not a good/service, is there a realistic revenue model?

- At what stage of development is the market? The less developed the market, the more likely it is that grant support will be needed in order to ensure its success.

- If the intervention is a good/service, how is it provided (or not provided) today? Are there better ways? Does the current method need to be scaled by other providers?

- What’s the nature of any other capital available to the entrepreneur? Are they already supported by grants? Have they raised equity?
You now have a list of some organizations working on your issue area of choice. You should also have gathered some information about the market and its stage of development. With this in mind, you can start to see where it fits within the returns continuum, which can provide guidance as to whether you should be investing or granting your capital.

As *Across the Returns Continuum* explains:

“When we evaluate an investment, we begin by confirming that it can have a direct (or firm-level) impact. Then we assign the investment to one of the categories on the returns continuum. We base the choice of category on a combination of expected financial returns and expected market impact.

“Investments that we expect to generate a risk-adjusted financial return belong in Category A; we do not require evidence of their potential market impact. Category B and Category C include investments for which we expect sub-commercial returns. With these investments, we require a compelling case for an investee’s potential to create market impact. In other words, the greater the financial “concession”, the more compelling the expected market impact needs to be. For investments in Category C, which includes grants to nonprofit organizations, we expect a high level of impact but do not expect any financial return.”
6. Now that you have an understanding of the theory outlined in the last section, you can place the companies and nonprofits you’ve already identified into more clear categories of expected financial returns and social impact.

Follow our example in the table below.

**EXAMPLE**

<table>
<thead>
<tr>
<th>TYPE A</th>
<th>What are available investment opportunities with likely market-rate returns, plus meaningful social impact?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stray Dog Capital</td>
<td>venture fund that provides early stage businesses with the capital and support to grow their businesses and shift away from an animal-based economy.</td>
</tr>
<tr>
<td>Whole Foods</td>
<td>provides groceries sourced and sold within the framework of a strong animal welfare policy.</td>
</tr>
<tr>
<td>S2G Ventures</td>
<td>invests in entrepreneurs whose products and services meet the shifting demands for healthy and sustainable food.</td>
</tr>
<tr>
<td>New Crop Capital</td>
<td>invests in products or services to replace foods derived from conventional animal agriculture.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TYPE B</th>
<th>What are investment opportunities with likely concessionary returns AND potential to create outsized social and/or market-level social impact?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ross Roberts Emergency Veterinary Fund</td>
<td>provides no-interest loans for low-income people with pets in need of emergency care.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TYPE C</th>
<th>What are grantmaking opportunities (no financial return, significant social impact)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF-SPCA</td>
<td>operates local animal shelters.</td>
</tr>
<tr>
<td>Humane Society of the United States</td>
<td>provides animal protection across the country.</td>
</tr>
<tr>
<td>Wild Animal Sanctuary</td>
<td>rescues and houses abused, abandoned or exploited captive animals.</td>
</tr>
<tr>
<td>Last Chance for Animals</td>
<td>advocates for animal rights.</td>
</tr>
</tbody>
</table>
In addition, there is one more category of grantmaking to consider: social welfare organizations, also known as 501(c)(4)s. In order to create market-level change, it’s important to think about the policy and legislation that is affecting the issue area you care about. 501(c)(4) social welfare organizations have more latitude than 501(c)(3)s to substantively impact the policy discussion, both through unlimited lobbying (501(c)(3)s are subject to quantitative limitations on lobbying), and participation in election-related activity (501(c)(3)s are prohibited in intervening or participating in campaigns for public office).

In the case of animal welfare, you might want to consider granting to a 501(c)(4) that has a mission of changing laws regarding animal testing, or protecting the environment of certain species, or a 501(c)(4) that actively supports political candidates who are defending more stringent laws to defend animal rights. Lobbying and legislation activities by social welfare organizations can significantly affect the market, and so should also be considered within any giving strategy. However, it is important to bear in mind that, unlike grantmaking to 501(c)(3)s, there are no tax benefits for giving to 501(c)(4) advocacy organizations. You can find more information about 501(c)(4) organizations in the bibliography.

EXAMPLE

An example of an advocacy organization lobbying for animal welfare is The Humane Society Legislative Fund (a separate lobbying affiliate of The Humane Society of the United States).

We’ve added this additional tool to the original framework from Omidyar Network. As you can see, in the expanded framework we’re examining, advocacy grants are on the same end of the continuum as traditional nonprofit grants, with the expectation of high market impact and low or zero financial return:
7. What are some 501(c)(4) organizations who are lobbying or advocating within your focus area?

**EXAMPLE**

**TYPE A**
What are available Investment opportunities with likely market-rate returns, plus meaningful social impact?

- **Stray Dog Capital** – venture fund that provides early stage businesses with the capital and support to grow their businesses and shift away from an animal-based economy.
- **Whole Foods** – provides groceries sourced and sold within the framework of a strong animal welfare policy.
- **S2G Ventures** – invests in entrepreneurs whose products and services meet the shifting demands for healthy and sustainable food.
- **New Crop Capital** – invests in products or services to replace foods derived from conventional animal agriculture.

**TYPE B**
What are investment opportunities with likely concessionary returns AND potential to create outsized social and/or market-level social impact?

- **Ross Roberts Emergency Veterinary Fund** – provides no-interest loans for low-income people with pets in need of emergency care.

**TYPE C**
What are grantmaking opportunities (no financial return, significant social impact)?

- **SF-SPCA** – operates local animal shelters.
- **Humane Society of the United States** – provides animal protection across the country.
- **Wild Animal Sanctuary** – rescues and houses abused, abandoned or exploited captive animals.
- **Last Chance for Animals** – advocates for animal rights.

**TYPE D**
What are advocacy grantmaking opportunities (no financial return, no tax benefits, significant social impact)?

- **Humane Society Legislative Fund** – provides animal protection across the country.
As you keep the various return expectations of the preceding chart in mind, you also need to consider sources of capital. The diagram below shows how different sources of capital can be connected to different entities on the continuum while still in service of your theory of change and desired social outcome.

Investment dollars can either go into a market-rate (Type A) or concessionary (Type B) investment by buying stocks or bonds in a social impact fund or company. Charitable dollars are either channeled directly to a nonprofit (Type C or D), or placed in a DAF or private foundation, in each case receiving an immediate tax benefit of lowering the cost of capital. More information about DAFs, and the unique role they can play in executing a comprehensive impact investment strategy, can be found on the next page.
DONOR ADVISED FUNDS

A donor advised fund (DAF) is a US-based charitable vehicle. At the time of contribution to a DAF, the donor takes a charitable tax deduction, and pursuant to the IRS Code and related rules and regulations, then also has the right to make recommendations to the charitable organization sponsoring the DAF regarding how those funds should be disbursed.

A DAF can be a powerful mechanism for pursuing social change across the spectrum of risk and returns as it provides the possibility of using charitable dollars to make grants, subcommercial investments and/or commercial investments, depending on the policies of the fund sponsor. In other words, you can use a DAF to make the same types of investments and grants as you could if you managed your portfolio directly. However, the outcomes of these two approaches differ somewhat, so whether you choose to use a DAF or take a direct approach, will depend on your desired outcomes.

The table below provides an illustration of the comparative outcomes when you pursue an investment strategy as an individual, versus through a DAF. Note this chart reflects the extremes – any strategy is likely to see some amount of overlap.

<table>
<thead>
<tr>
<th>Recipient of financial returns</th>
<th>Direct Portfolio Management</th>
<th>DAF Charitable Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>You (the investor)</td>
<td>Available in connection with a grant to a 501(c)(3)</td>
<td>Available upon contribution to DAF</td>
</tr>
<tr>
<td>Tax Deduction</td>
<td>Your responsibility</td>
<td>Responsibility of 501(c)(3) DAF provider</td>
</tr>
<tr>
<td>Reporting Obligations (i.e., K-1 with respect to certain investments)</td>
<td>Entirely your discretion to invest, make a charitable grant and/or make a non-tax deductible lobbying grant</td>
<td>DAF funds can’t be used to primarily fund lobbying or engage in partisan political activity; you would need to execute this part of the strategy independently</td>
</tr>
</tbody>
</table>

Strong lobbying or political goals
8. Do you see the potential for market-rate returns? If so, do you want all or part of any financial returns to accrue to you; or are you willing to allocate those market-rate returns entirely to charitable purposes?

If the answer is “to you”, you should manage this investment directly. If you want returns to be allocated to charitable purposes only, use a DAF. In this scenario you get the tax benefit because you are contributing funds to a charitable vehicle. While this is not a way to generate responsible returns for your financial needs, it is a way to potentially generate returns that increase the pool of money for charitable impact.

9. Are you willing to accept concessionary (or below market-rate) financial returns because the firm-level social impact could drive powerful outcomes, or because the market-level effect could open up a market for more players, more products, more consumer choice, and more impact?

If so, this opportunity is likely a good use of investment capital, although returns might be lower than the asset class you are selling to generate cash for this investment. However, these types of investments are valuable in driving market-level change, as not as many people are able or interested in pursuing them.

10. Based on the conclusions you drew from the questions above, will you spend investment or charitable dollars? Make a key (using colors, as we do below, or symbols) so you can mark your table with the type of capital you would put into each opportunity.

As you can see in the following table, we’ve made decisions about our example problem. Please note that they demonstrate one possible approach, but are not prescriptive; your decisions will depend on your personal preferences and circumstances.
F. MEASURING + TRACKING RESULTS

Management expert Peter Drucker once wrote, “If you can’t measure it, you can’t improve it.” Indeed, understanding how to measure the outcomes of your impact investments is key. The measurement of social outcomes is often challenging. One way to simplify it is by exploring one issue area, so that you can look at several large-scale indicators within it; this will help you judge whether your investments are aligned with the broader social trends you wish to see. Remember that true “impact” comes at the ecosystem/broader society level, not at the individual investment level. With that in mind, you can identify measures that will help you gauge whether your actions are contributing to positive change.

It’s important to remember that it takes longer to create real social impact than to generate financial returns, especially at the market level. Therefore, having a testable investment hypothesis (in other words, a theory of change) will give you a baseline to compare to when making future investment decisions.
11. How will you define and measure your success in contributing to solving this problem? Refer to the table below – remember that our example theory of change is “If more companies made products that met higher humane laws for animal treatment, consumers made better animal welfare-focused buying choices, and fewer domestic animals were born and left uncared for, human and animal health and wellbeing in the U.S. would be greatly improved.”

<table>
<thead>
<tr>
<th>TYPE A WHOLE FOODS</th>
<th>TYPE B ROSS ROBERTS EMERGENCY VETERINARY FUND</th>
<th>TYPE C SF-SPCA</th>
<th>TYPE D HUMANE SOCIETY LEGISLATIVE FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole Foods stock price.</td>
<td>Payback period.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Price-to-earnings ratio.</td>
<td>Benefit-to-cost ratio.</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Debt-to-equity ratio.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**INVESTMENT METRICS**

**Increase in use of animal welfare-related food labels on products (i.e. American Humane Certified).**

**Presence and frequency of animal welfare customer education programs.**

**Number of stores meeting their 5-Step Animal Welfare rating for all meats.**

**SOCIAL METRICS**

**Number of pets treated.**

**Rate of pets returning for additional treatment.**

**Number of follow-up treatments required.**

**Number of adoptions from your nearest shelter.**

**Increase in shelter capacity.**

**Number of feral animals neutered.**

**Number of animals in low-income communities receiving free care.**

**Number of people participating in Humane Education programs.**

**Number of letters sent to elected officials.**

**Number of campaigns per year.**
Now that you’ve identified which metrics can help you measure the success of your investments and grants, you need to be able to interpret them. Creating charts or graphs is one way to visualize how your capital has been doing; this will help you decide whether to maintain or change your existing investing and grantmaking activities.

Each graph on the next two pages is a visual representation of one metric from each investing and granting category in the table on the previous page. The data is presented as if you are reviewing your investments one year later. In reality, it might be difficult to obtain full data sets over this time period, especially if you are just starting out. If this is the case, you can use a combination of data, anecdotal evidence informed by your relationship with each organization, and the guiding questions on page 25 to determine your next steps.

**WHAT THE DATA SHOWS**

Whole Foods’ stock price has consistently been rising throughout the year, suggesting this is a solid financial investment. However, it appears there has been little to no progress introducing food labels.

**WHAT THE DATA SHOWS**

One year later, the expected payback time on your investment is as you anticipated. The number of pets treated each month dropped at the beginning of the year, but rose above the 300 mark in the summer.
WHAT THE DATA SHOWS

Shelter capacity jumped midway through the year. Could this have been due to an increase in funding, allowing the shelter to expand its services or hire more staff? Investigation will help you make sense of the numbers.

WHAT THE DATA SHOWS

The number of campaigns has decreased. However, you have observed that the existing campaigns have been bigger in the last two years. You’re aware that these campaigns sparked controversy; it would help your analysis to look into whether they prompted any specific policy or higher-level social outcomes.

EVALUATING THE METRICS

We covered some of the objective inferences from the graphs in the text beside each of them. However, impact measurement is not an exact science. While data is a useful starting point, there are other considerations worth taking into account when forming an opinion on your existing strategy:

- How do the results make you feel?
- Do your grants and investments still align with your values?
- Has any one organization made a bigger impression (positive or negative) on you than others?
- Are you satisfied with the ratio of financial to social returns?

Depending on your answers to these questions, you might decide to make some changes to your strategy.
FICTITIOUS EXAMPLES OF POSSIBLE INVESTOR FEEDBACK

“Although I’m happy that my Whole Foods stock is appreciating in value, their social impact doesn’t seem to be keeping up in terms of promoting animal welfare. I will start looking for other investment opportunities that have similar rates of return with greater social impact.”

“So far, the Ross Roberts Fund has been keeping up with my expectations. They keep me updated with their progress, and I feel that my investment is valued and impactful. I will continue to invest in them.”

“I am extremely pleased with SF-SPCA’s recent expansion, as well as their spending decisions after their recent infusion of funding. It feels good to make a contribution.”

“I am pleased with the attention that the Humane Society Legislative Fund’s latest campaigns have received, although I am worried about whether some of the tactics they are using will be detrimental to them in the long term. I will watch to see how this progresses in order to see if their strategy continues to align with my values, as well as to track whether the controversy sparks tangible change.”

CHECKING IN

This is an ongoing process, so it’s worth setting a recurring time (i.e. annually or biannually) when you can go through the evaluation process to make sure you’re still investing and grantmaking in a way that is most meaningful to you.

12. Mark your calendar with a reminder to check progress on your grants and investments!
We hope that this guide helps you approach investing for impact with more clarity in terms of:

- How to align individual potential investments under an issue area that you care about;
- How to develop a theory of change that ties your investments together;
- How to better segment potential financial and social returns for investments and grants;
- How to consider different types of capital to use for various purposes, as well as both up-front or longer-term benefits;
- How to review available financial and social return data to track and assess your chosen approach.

We wish you the best on your impact investing adventure!

5. BIBLIOGRAPHY

“Across the Returns Continuum.”
Omidyar Network, Stanford Social Impact Review
http://ssir.org/articles/entry/across_the_returns_continuum

“Construction of an Impact Portfolio: Total Portfolio Management for Multiple Returns.”
Jed Emerson & Lindsay Smalling, ImpactAssets Issue Brief #15
http://www.impactassets.org/files/Issuebrief_No.15.pdf

Global Impact Investing Network (GIIN)
http://thegiin.org/research/publication/sdgs-impinv

“Mapping Change: Using a Theory of Change to Guide Planning and Evaluation”
Grantcraft
http://www.grantcraft.org/assets/content/resources/theory_change.pdf

“Primer on Social Welfare Organizations: Using 501(c)(4) organizations for good.”
Alliance for Justice

Theory of Change Toolkit
Development, Impact, & You

TONIIC’s SDG Directory
http://www.toniic.com/toniicd/

UN Sustainable Development Goals
### 6. GLOSSARY

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefit-to-Cost Ratio</strong></td>
<td>An indicator that attempts to summarize the overall value for money of a project or proposal.</td>
</tr>
<tr>
<td><strong>Charitable Dollars</strong></td>
<td>Tax-deductible charitable contributions made to qualified organizations (per IRS Publication 526) made as grants or donations.</td>
</tr>
<tr>
<td><strong>Direct (Firm-Level) Impact</strong></td>
<td>The direct effect on an organization's customers or service beneficiaries.</td>
</tr>
<tr>
<td><strong>Donor Advised Fund (DAF)</strong></td>
<td>A financial tool that can be used for making both investments and grants. Investments made with the intention of generating a beneficial social or environmental impact alongside financial return. Per Council on Foundations, “A donor advised fund (DAF) is a type of charitable giving fund that is established by a donor with an eligible charitable sponsoring organization (i.e. a community foundation) to support a cause (or causes) that the donor cares about. A donor advised fund allows the donor to remain involved and active in charitable giving by retaining “advisory privileges” to recommend how the sponsoring organization should make grants from that fund.”</td>
</tr>
<tr>
<td><strong>Impact Investing</strong></td>
<td>Investments made with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return.</td>
</tr>
<tr>
<td><strong>Investment Dollars</strong></td>
<td>Dollars spent to purchase an asset with the intention of making a financial return, either by providing income in the future or by being sold at a later date for a profit.</td>
</tr>
<tr>
<td><strong>Market-Level Change</strong></td>
<td>Changes beyond direct (firm-level) impact as a result of new policies, infrastructure investment, or business models, including possibly the development of markets that reach underserved or disadvantaged populations and/or changes to social and/or environmental conditions.</td>
</tr>
<tr>
<td><strong>Returns Continuum</strong></td>
<td>Investment profiles ranging from fully commercial investments to philanthropic grants. There are trade-offs between expected financial returns and expected social returns at each point on the continuum.</td>
</tr>
<tr>
<td><strong>Screened Investments</strong></td>
<td>Investments selected based on companies' environmental, governance, and/or social performance.</td>
</tr>
<tr>
<td><strong>Social Change</strong></td>
<td>See market-level change.</td>
</tr>
<tr>
<td><strong>Sustainable Development Goals (SDGs)</strong></td>
<td>The SDGs, also known as Global Goals, build on the success of the Millennium Development Goals (MDGs) and aim to go further to end all forms of poverty. The new 17 Goals are unique in that they call for action by all countries, poor, rich, and middle-income to promote prosperity while protecting the planet. While the SDGs are not legally binding, governments are expected to take ownership and establish national frameworks for the achievement of the 17 Goals. Impact investors have begun to utilize the SDG framework to address a variety of global issues such as access to clean water, improving health and well-being, climate change mitigation, and more.</td>
</tr>
<tr>
<td><strong>Type A Investment</strong></td>
<td>As outlined by the Omidyar Network, a Type A or Category A investment is a commercial investment expected to achieve positive social impact and strong financial returns.</td>
</tr>
<tr>
<td><strong>Type B Investment</strong></td>
<td>As outlined by the Omidyar Network, a Type B or Category B investment is a subcommercial investment where lower financial returns are accepted because of the promise of significant market-level change.</td>
</tr>
<tr>
<td><strong>Type C Investment</strong></td>
<td>As outlined by the Omidyar Network, a Type C or Category C grant investment is made with no capital return expectation and with high expectation of market-level impact.</td>
</tr>
<tr>
<td><strong>Type D Investment</strong></td>
<td>A Type D investment as defined by Tides is a grant made to an advocacy organization with no capital return expectation and high expectation of market-level impact through policy and limited electoral activity in addition to educational activities.</td>
</tr>
<tr>
<td><strong>501(C)(3)</strong></td>
<td>A nonprofit organization that is exempt from US federal income tax.</td>
</tr>
<tr>
<td><strong>501(C)(4)</strong></td>
<td>A nonprofit organization operated exclusively to further the common good and general welfare of the people of the community. It may engage in some political activities, as long as that is not its primary activity. It is subject to different tax laws than a 501(c)(3).</td>
</tr>
</tbody>
</table>
Tides’ vision of a world of shared prosperity and social justice is founded on equality and human rights; a sustainable environment; healthy individuals and communities; and quality education. We work at the nexus of funders, changemakers and policy, bringing together a large and diverse coalition of mission aligned actors to amplify our power to scale positive impact.

Tides’ services and solutions for impact investors include philanthropic giving and grantmaking, impact investing funds and direct investments through donor advised funds, fiscal sponsorship and acceleration services for social ventures, collaborative workspaces, collective initiatives, and advocacy services for policy change. Our extensive tools and know-how give our partners the freedom to hit the ground running and drive change faster than they can on their own.

Alex has spent his career investing in and successfully growing entrepreneurial organizations in both for-profit and non-profit settings. Alex leads marketing, communications and new client development and also serves on the Executive Team at Tides. He is also the founding Chairman and President of Excelerate Foundation, serves on the Steering Committee of the EYElliance, which seeks to expand access to vision care for low-income consumers globally, and is a board member of the Grass Roots Gay Rights Foundation. Alex was previously Director of Innovation Investments and Portfolio Director at the Skoll Foundation. Prior to joining Skoll, he had a 20-year career in venture capital. He is a graduate of Tulane University, studied at the Chinese University of Hong Kong, and earned an MBA from Cornell University.

Georgina is the Marketing Coordinator at Tides. She amplifies visibility and impact by integrating marketing efforts across the organization. Previously, she interned for the Strategic Partnerships team at Tides where she contributed to thought leadership research and developed campaign and marketing work. Born and raised in the UK, since moving to the Bay Area she has volunteered with a variety of impact organizations including Net Impact, ONE WORLD Training & Investments, and the Aquarium of the Bay. She holds a BA in Environmental Science from Trinity College Dublin and an MA in Leadership for Sustainable Development from Forum for the Future, London.
8. WORKSHEET
CHOOSE YOUR OWN IMPACT ADVENTURE

A – GET STARTED
1. What pressing social or environmental issues do you care about? What problem would you like to address?

B – DEVELOP A THEORY OF CHANGE
2. What is your theory of change for your selected issue area - in other words, what actions are needed in order to drive the lasting, systemic change you seek? What investment could drive improvements in your issue area?

C – PUT YOUR MONEY WHERE YOUR HEART IS
3. Do you currently support any nonprofit organizations, companies, or funds working in your chosen issue area?

4. Based on the organizations you listed, what investing and/or grantmaking opportunities can you identify? For investing, think about individual companies, as well as targeted public, private equity, or loan investment funds screened for impact in your chosen issue area.

<table>
<thead>
<tr>
<th>MISSION-ALIGNED COMPANIES &amp; FUNDS</th>
<th>MISSION-ALIGNED NONPROFITS/SERVICE AGENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Are the opportunities investible yet?
D. CONSIDER THE POTENTIAL FOR SOCIAL AND FINANCIAL RETURNS

6. Now that you have an understanding of the theory outlined in the last section, you can place the companies and nonprofits you’ve already identified into more clear categories of expected financial returns and social impact:

<table>
<thead>
<tr>
<th>TYPE A</th>
<th>TYPE B</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are available investment opportunities with likely market-rate returns, plus meaningful social impact?</td>
<td>What are investment opportunities with likely concessionary returns AND potential to create outsized social and/or market-level social impact?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TYPE C</th>
<th>TYPE D</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are grantmaking opportunities (no financial return, significant social impact)?</td>
<td>What are advocacy grantmaking opportunities (no financial return, no tax benefits, significant social impact)?</td>
</tr>
</tbody>
</table>
7. What are some of the 501 (c)(4) organizations who are lobbying or advocating within your focus area?

E. PUT YOUR MONEY TO WORK
8. Do you see the potential for market-rate returns? If so, do you want all or part of any financial returns to accrue to you; or are you willing to allocate those market-rate returns entirely to charitable purposes?

9. Are you willing to accept concessionary (or below market-rate) financial returns because the firm-level social impact could drive powerful outcomes, or because the market-level effect could open up a market for more players, more products, more consumer choice, and more impact?

10. Based on the conclusions you drew from the questions above, will you spend investment or charitable dollars? Make a key (using colors, as we do in the Guide, or symbols) so you can mark your table with the type of capital you would put into each opportunity.

F. MEASURE + TRACK RESULTS
11. How will you define and measure your success in contributing to solving this problem? (Keep your theory of change in mind as a guide.)

12. Mark your calendar with a reminder to check progress on your grants and investments!