Overview
Eradicating poverty, helping the world’s poor become resilient to climate change, and empowering women economically are crucial goals for the future of humanity. Social entrepreneurship and impact investing are important avenues to achieve these goals. Still, there is an estimated $2.5 trillion annual gap in financing the world’s Sustainable Development Goals (SDGs). While many hope that private capital can address this deficit, the fact is that 80% of small and growing businesses (SGBs), small and medium enterprises (SMEs), and social enterprises (SEs) lack sufficient capital to thrive, grow, and scale.

At Miller Center for Social Entrepreneurship, we are committed to helping social enterprises prosper and scale so they can deliver their intended social and environmental impact. Securing appropriate funding is vital to social enterprises at all stages of their development, yet we see major funding gaps that threaten the long-term success of the social enterprise movement.

To help address these gaps, we are launching The Transformative Frontier™: A Quarterly Review of Impact Investing, a publication designed to explore and spark conversations about the capital needs of social enterprises and how they are being fulfilled.
The term “Transformative Frontier” refers to the whole spectrum of investments, from pure philanthropy to market-rate financial returns by impact investors. It also encompasses everything from small seed-stage grants, prizes, and investments to significant capital infusions for late-stage social enterprises as they scale.

At the philanthropy end of the spectrum, charitable organizations can make their donations and grant money go further by adopting an investment-oriented approach that returns some or all of the invested capital to its source, or what we call a “round-trip” of capital. This approach represents a great improvement over donated capital’s one-way journey from charitable organization to recipient.

At the other end of the spectrum, Miller Center recently released a white paper on Total Portfolio Activation for Impact to help foundations, money managers, and other impact investors achieve market-rate returns on their investments. We also need to consider other financial instruments—with a range of associated returns—that can enable social enterprises to thrive.
Impact investors are defined by their intentions to generate social or environmental impact. There is little evidence that most forms of impact are likely to generate market rate returns, and many may not return even 100% of invested capital. True impact investors starting at the market-rate end of the spectrum will need to adjust their expectations if we collectively are to achieve the SDGs and cross the Transformative Frontier.

And in the “missing middle” of the spectrum, we want to spur innovations in capital that will help social enterprises bridge the gap between smaller capital investments in their early stages and larger capital infusions as they scale. These are typically in a mid-range between $50K prizes and awards and $1M investments, e.g., in the $250K range.
The Transformative Frontier presents investment trends across geographic regions, sectors, deal sizes, deal types, deal counts, and social enterprise stages. It is anchored by data and graphs discerned from impact investors engaged with Miller Center. The Transformative Frontier also shares deal flows from our world-class GSBI® (Global Social Benefit Institute) programs, including alumni, current, and future cohorts.

To survey and examine the Transformative Frontier, we constructed a Miller Center Impact Investor Universe comprising 230 investors derived from a starting pool of more than 400. We currently receive investment histories from 167 of these investors, and we expect this number to increase. In 2015, investors within the Impact Investor Universe invested $1.7 billion, with a median deal size of $1.5 million.

To be included in the Impact Investor Universe, investors must have explicit intention to create impact. Miller Center’s focus is on poverty eradication. Investors are screened for three factors:

• First, we examine each investor’s description of their investment strategies and goals to make sure they are focused on poverty eradication.
• Second, we review historical investments.
• Third, we analyze larger deals or “outliers” to ensure strict congruence with Miller Center’s definition of impact investing, i.e., intention matters.
Our Methodology—And An Invitation: Cont’d

We invite you to join us in an ongoing conversation about this Transformative Frontier, and how we can collectively work to eradicate poverty, address the U.N. SDGs, and boost the economic empowerment of women worldwide through the funding and support of social enterprises addressing these issues. Together, let’s collaborate to help provide social enterprises worldwide with the financial instruments and funding structures that will propel their success.
The Charts That Follow:

Each quarter in *The Transformative Frontier*, we will share recent data we have gathered and analyzed from our Impact Investor Universe, with the intention of shedding light on some aspect of the social enterprise-funding spectrum.

Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Median Deal Size

Data as of June 30th, 2016
Source: PitchBook
Deal Count vs. Median Deal Size

Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Deal Count

Data as of June 30th, 2016
Source: PitchBook
Data as of June 30th, 2016
Source: PitchBook

Capital Invested vs. Deal Count (Quarterly)
Capital Invested vs. Median Deal Size (Quarterly)

Data as of June 30th, 2016
Source: PitchBook
Regions
Deal Count by Region

Data as of June 30th, 2016
Source: PitchBook
Data as of June 30th, 2016
Source: PitchBook

Deal Count by Region (%)

[Diagram showing deal counts by region for years 2007 to 2016, with regions categorized as United States, Canada, Europe, Middle East, Oceania, North America, Central America, South America, and Asia.]
Data as of June 30th, 2016
Source: PitchBook
Data as of June 30th, 2016
Source: PitchBook
Deal Count by Region (Quarterly)

Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Deal Count: Europe

Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Deal Count: Asia

Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Deal Count: Africa

Data as of June 30th, 2016
Source: PitchBook
Sectors
Deal Count by Industry Sector

Data as of June 30th, 2016
Source: PitchBook
Deal Count by Industry Sector (%)
Data as of June 30th, 2016
Source: PitchBook
Capital Invested by Industry Sector (%)
Deal Count by Industry Sector (Quarterly)

Data as of June 30th, 2016
Source: PitchBook
Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Deal Count: Financial Services

Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Deal Count: Energy

Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Deal Count: B2C

Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Deal Count: B2B

Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Deal Count: Healthcare

Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Deal Count: Information Technology

Data as of June 30th, 2016
Source: PitchBook
Capital Invested vs. Deal Count: Materials & Resources

Data as of June 30th, 2016
Source: PitchBook
Missing Middle
Deal Count by Deal Size

Data as of June 30th, 2016
Source: PitchBook
Capital Invested by Deal Size

Data as of June 30th, 2016
Source: PitchBook
2015 Deal Count & Deal Size by Region (%)

Data as of June 30th, 2016
Source: PitchBook
2015 Capital Invested & Deal Size by Region (%)

Data as of June 30\textsuperscript{th}, 2016
Source: PitchBook
2015 Deal Count by Deal Size: $1-5 Million

Data as of June 30th, 2016
Source: PitchBook
2015 Capital Invested by Deal Size: $1-5 Million

Data as of June 30th, 2016
Source: PitchBook
Special Focus: Africa
Deal Count by Industry Sector: Africa

Data as of June 30th, 2016
Source: PitchBook
Capital Invested by Industry Sector: Africa

Data as of June 30th, 2016
Source: PitchBook
Deal Count by Deal Size: Africa

Data as of June 30\textsuperscript{th}, 2016
Source: PitchBook
Additional Analysis
Deal Count by Employee Count

Data as of June 30th, 2016
Source: PitchBook
Deal Count by Business Stage

Data as of June 30th, 2016
Source: PitchBook
Capital Invested by Business Stage

Data as of June 30th, 2016
Source: PitchBook