

Financial literacy

Private equity groups launch education philanthropy fund

Investors will share their gains with charities

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Individual investors will gain access to funds at eight leading private equity groups, if they commit to donating at least half their capital gains to educational charities backed by the buyout groups.

Advent International, Bain Capital, Cinven, Hg Capital, Nautic Partners and Permira are among those partnering with Greater Share, a newly launched UK charity created to generate at least \$300mn for long-term grants, in an innovative financial initiative that blends profits with philanthropy.

Wealthy individuals willing to put at least \$500,000 into the fund of funds are set to receive their principal and a significant return after 10 years – based on investment performance – while their charitable contributions are matched by the private equity groups' donations of their fees.

The move is a novel approach to expanding philanthropy through financial leverage, with a focus on channelling donations to a series of charities selected with advisers for their record and strategy focused on “child-centred learning”.

Paul Fletcher, chair of Greater Share, said: “By harnessing the expertise of the world’s top private equity funds and of NGOs that are successfully transforming how children in marginalised communities are able to learn, we can create real and measurable change for children.”

Social impact funds already allow wealthy individuals to invest in organisations that generate financial returns while delivering social benefit, while a growing number of philanthropic organisations seek to increase their endowments with “mission-related investing”. The Children’s Investment Fund Foundation makes grants generated from a broad range of investments.

The new model provides a way for a large number of individuals to gain access both to leading investment managers and philanthropic experts to make tax deductible charitable donations, which are then significantly increased by the donations from the funds.

The beneficiaries, which are creating a network to share experiences and receive advice

from groups including Bain, range from Teach for All, which operates globally, to Camfed, which focuses on sub-Saharan Africa, aeioTU in Latin America, Kaivalya in India, KIPP and the National Institution for Student Success in the US, and London Early Years Foundation and West London Zone in the UK.

The charities were selected by Greater Share’s educational committee in consultation with Bridgespan, a philanthropic advisory group, and they are expected to receive funding over the decade subject to periodic review.

Graham Elton, Europe head of private equity at Bain and one of the founders of Greater Share, said: “The best people at making the money focus on making money, and the best at putting to good use focus on that.” He said the model paved the way for similar blended charitable and financial structures to support initiatives tackling climate change, health and education.

