



# Understanding the Opportunities in Impact Investing

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**citizen mint**



# ABOUT

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## **JOSH HILE CFA, CPA** CO-FOUNDER & CEO - CITIZEN MINT

B.A. BUSINESS ADMINISTRATION  
UNIVERSITY OF WASHINGTON

M.B.A.  
UNIVERSITY OF WASHINGTON



**Deloitte.**



- Previously Director of Investment Strategy & Research at Laird Norton Wealth Management (LNWM)
  - Instrumental in developing, maintaining and improving LNWM's capabilities in impact and sustainable investing
  - Responsible for the worldwide sourcing, ongoing due diligence and monitoring of equities, infrastructure, real estate, private equity, private debt and venture capital
  - Worked in Russell Investments manager research department supporting their large mutual fund and institutional consulting business
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# SRI & ESG **distinct** from impact investing

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## Social Responsible Investing (SRI)

**Avoid** stocks that are believed to be harmful. Historically, SRI applied to "sin" stocks - alcohol, cigarettes, casinos, guns but could also include fossil-fuel producers and coal-dependent utilities.

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## Environmental, Social & Governance (ESG) Investing

Investing in companies that reduce risk and increase value **through thoughtful consideration of all stakeholders** -- employees, customers, local communities and shareholders while limiting their negative impact on society and the environment.



## IMPACT INVESTING DEFINITION

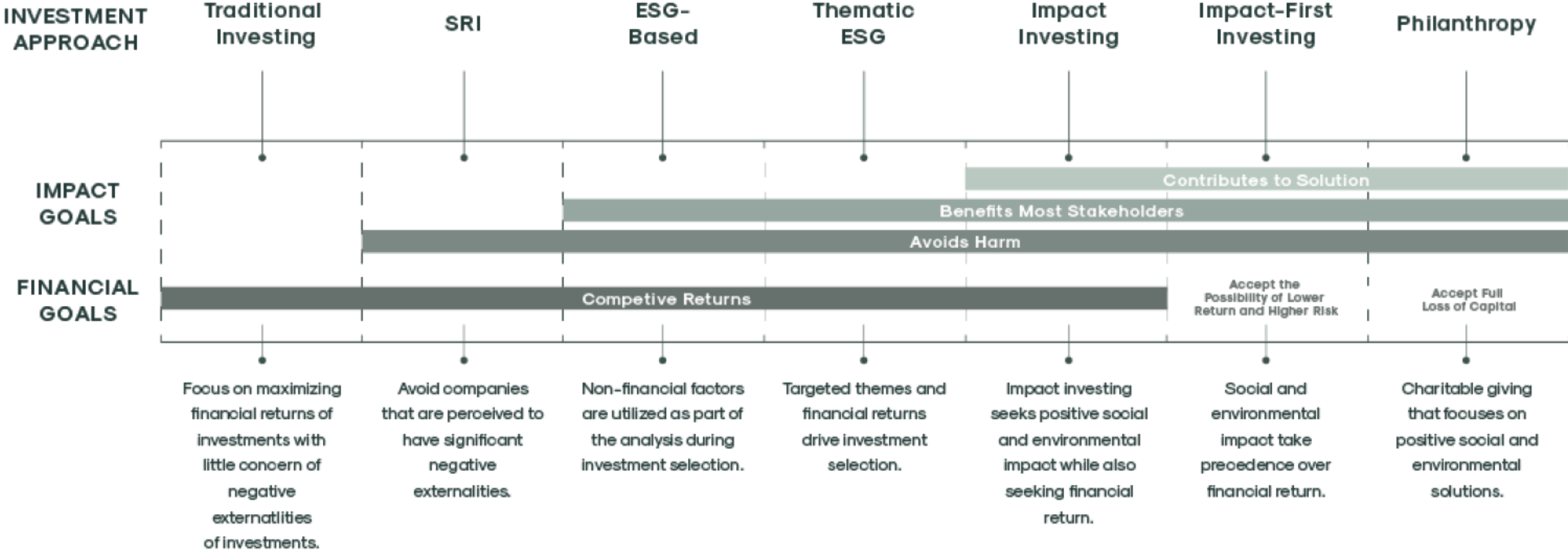
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INVESTMENT OPPORTUNITIES,  
OFTEN IN PRIVATE MARKETS,  
THAT SEEK TO **SOLVE AN  
ENVIRONMENTAL OR SOCIAL  
CHALLENGE, WHILE ALSO  
MAXIMIZING FINANCIAL RETURN**



THE SUSTAINABLE INVESTING UNIVERSE

The Sustainable Investing Universe



## COMMON MISCONCEPTIONS

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**IMPACT INVESTING IS CONCESSIONARY**



**IMPACT INVESTING IS A FAD**



**OPPORTUNITIES IN IMPACT INVESTING ARE  
LIMITED**

# IMPACT INVESTING IS NOT CONCESSIONARY

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## INFLUX OF TALENT FOLLOWING BEST OPPORTUNITIES

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### LARGE INVESTMENT OPPORTUNITY

Major challenges present **compelling opportunities** for investors

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### TALENTED & EXPERIENCED INVESTORS

Some of the most experienced investors have entered the space over the last five years:

- **Wellington, KKR, Bain, TPG, Apollo, Blackstone, Sequoia, Nuveen, Carlyle**

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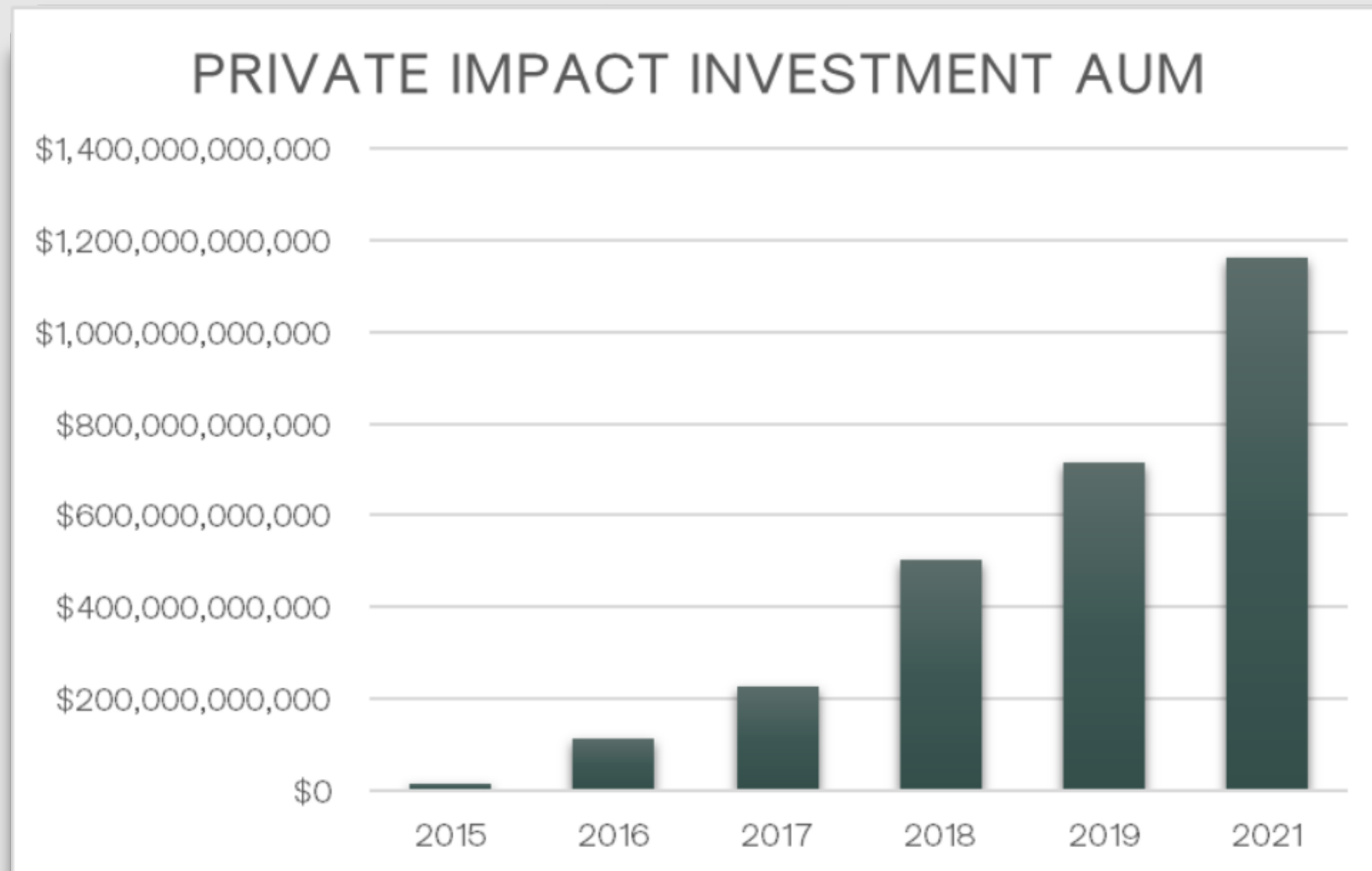
### NEW INVESTMENT OPPORTUNITIES

Specialized managers are providing capital to large problems around education, healthcare, real estate, etc.



# NOT A FAD

## FASTEST GROWING SEGMENT IN FINANCIAL SERVICES



Note: No data available for 2020.

**\$1.2 trillion** in impact investment

Grew by **10x** over last decade

**Over \$150 billion** in new investments a year

Source: Global Impact Investing Network [GIIN]



# MASSIVE OPPORTUNITY SET

**ESTIMATED OVER \$12 TRILLION  
IN INVESTMENT OPPORTUNITIES  
BETWEEN NOW AND 2030  
ACROSS DIVERSE SET OF  
ASSET CLASSES**



Source: Better Business World; The Report on Business and Sustainable Development Commission

## HUGE CLIENT GROWTH OPPORTUNITY

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# INVESTORS ARE DEMANDING ACCESS TO PRIVATE MARKETS & IMPACT INVESTMENT OPPORTUNITIES

- **99% of Millennials** with over 100k in investable assets have an interest in impact investing  
(Morgan Stanley)
- **40% of investors** who have not made an impact investment are planning to make one in the next twelve months  
(Fidelity Charitable)
- **62% of Millennials** & 46% of Gen X investors believe impact investments have more power to create change than traditional philanthropy  
(Fidelity Charitable)
- **>\$50 Trillion** in current wealth held by Millennial and Gen X with this wealth expected to grow to **\$134 Trillion** over the next 20 Years  
(Cerulli Associates and Federal Reserve)

## THE OPPORTUNITY

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# WEALTH MANAGEMENT MARKET WILL SEE **DRAMATIC CHANGES** AS BABY BOOMERS AGE AND WEALTH IS TRANSFERRED

## ATTRACTING YOUNGER DEMOGRAPHICS

Younger investors want **3x more alternatives** (~15-20% of portfolios) and **half the stocks** (~25%) than their parents

**73% use sustainable investing currently** and sustainable investments usage has overall doubled in last few years

(Source: Bank of America Private Wealth - 2022)

## RETAINING GEN 2

**70% of heirs fire** their parents advisors as a result of poor engagement and poor portfolio alignment with their values

(Source: Cerulli)



# UNFAIR ADVANTAGE TO WEALTH ADVISORS

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## GROW YOUR BUSINESS AND INCREASE CLIENT SATISFACTION

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### ATTRACT YOUNGER CLIENTS

Investment access that attracts & retains Millennial, Gen-X and Gen-Z investors

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### BETTER CLIENT ENGAGEMENT

Reduced client turnover and increased client satisfaction by engaging clients on their values

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### REDUCED CLIENT PERFORMANCE

Reduced volatility of client portfolios while adding the opportunity for enhanced returns

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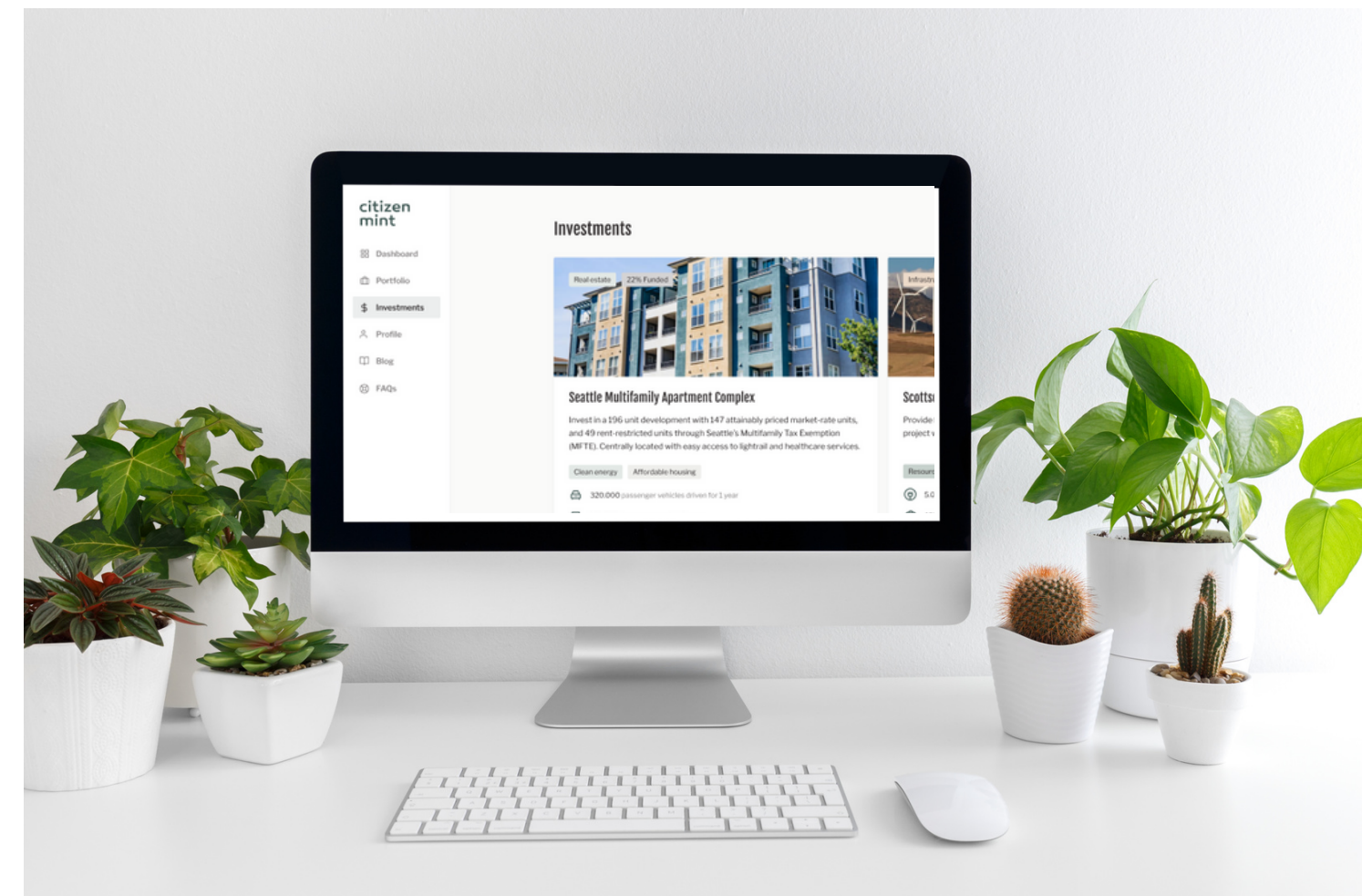
### VOLATILITY & ADVISOR REVENUE VOLATILITY

Less volatility in the wealth advisors revenues on a yearly basis

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### INCREASED ASSETS

Clients are more likely to bring in held-away accounts for the wealth advisors to manage



## PREDICTIONS FOR NEXT DECADE

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#1

Private impact investing AUM increases to over **\$5 trillion**

#2

Requirement to have some impact offering in order to attract and retain clients

#3

Most major asset managers come out with Impact Investment opportunities

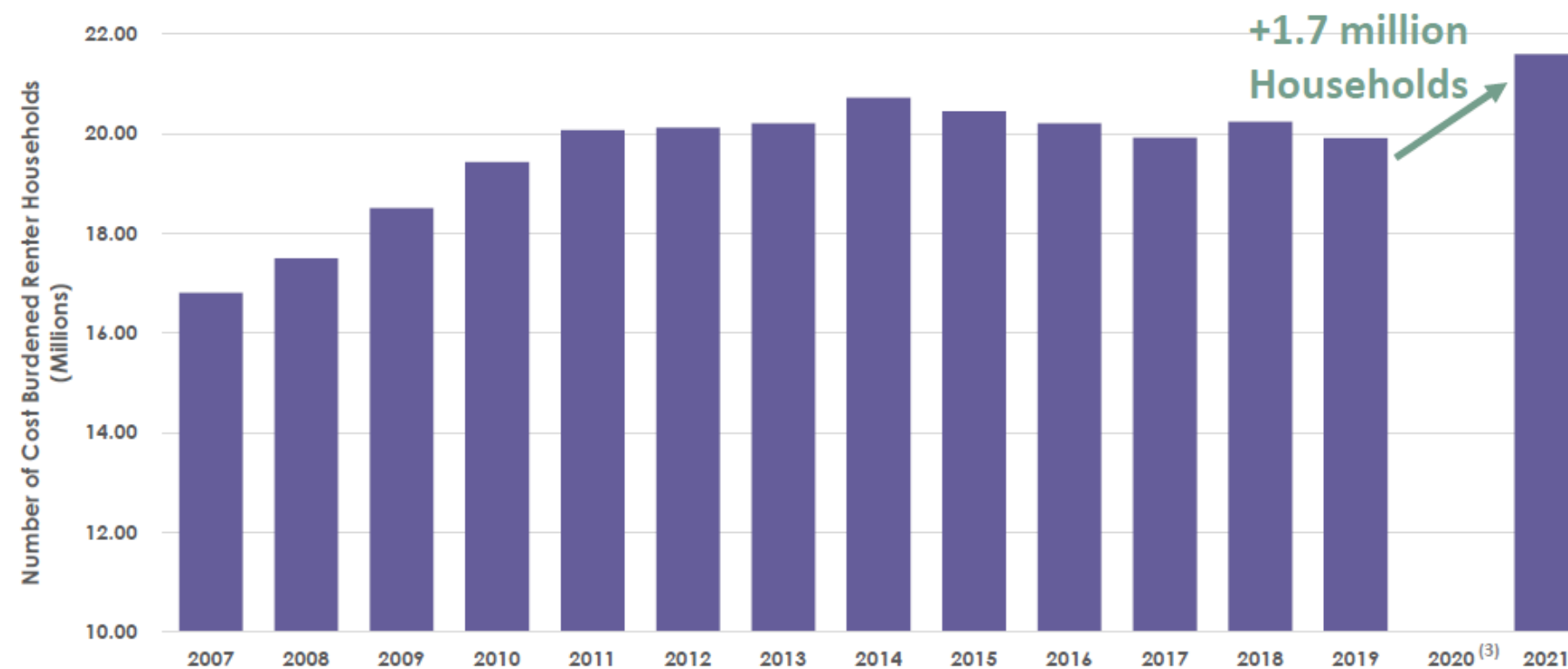
# EXAMPLE OPPORTUNITY #1

## AFFORDABLE & WORKFORCE HOUSING

Cost-Burdened Renter Households in the US<sup>(1)</sup>

- Cost Burdened Renters are defined as renters who spend more than 30% of their gross income on rent
- As of 2021, there are 21.9 million cost burdened renters in the United States which is up nearly 10% since 2019

*Nearly half (49%) of all renters in the United States are Cost Burdened*



Note: There is no assurance that return objectives will be achieved. Past performance is not necessarily indicative of future results.

1) Gross Rent as a Percentage of Household Income in the Past 12 Months – American Community Survey – 2019 – 2007. Table B25070

2) Joint Centers for Housing Studies of Harvard University – [Number of Renters Burdened by Housing Costs Reached a Record High in 2021 | Joint Center for Housing Studies \(harvard.edu\)](#)

3) The American Communities Survey was unable to collect 2020 data due to the COVID-19 Pandemic.

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### Investment Opportunity

- Highly defensive asset class given the high occupancy rates and demand during all market cycles
- Benefits from increased focus by local and national providers of capital leading to low financing costs and ability to increase returns to investors through tax credits and subsidies.

### Impact Opportunity

- Provides for significant need for better affordability across the US
- Reduces housing insecurity and increases job security for renters



# EXAMPLE OPPORTUNITY #2

## RENEWABLE INFRASTRUCTURE

### Investment Opportunity

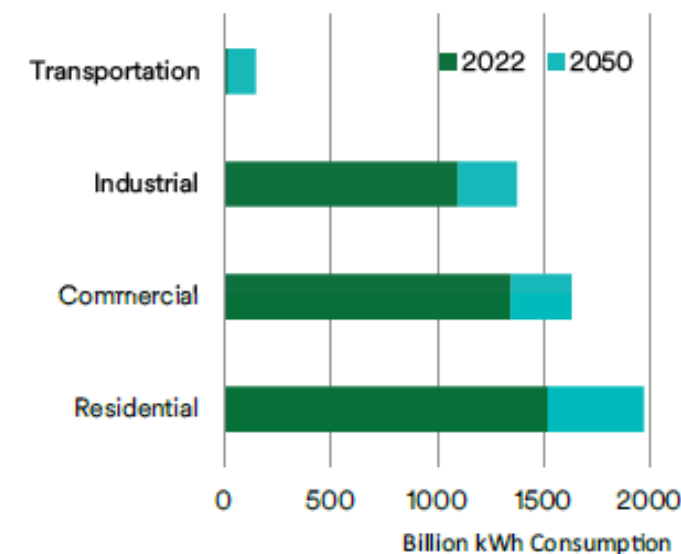
- Reasons for investing in Renewable Infrastructure: diversification, income, growth, and downside protection
- Strong market opportunity with McKinsey estimating \$9.2 trillion in spending necessary a year
- Returns provide both steady income and the ability for capital appreciation with limited volatility

### Impact Opportunity

- Dramatically reduce carbon footprint of current infrastructure assets
- Utilizes new sources of energy from biogas to geothermal

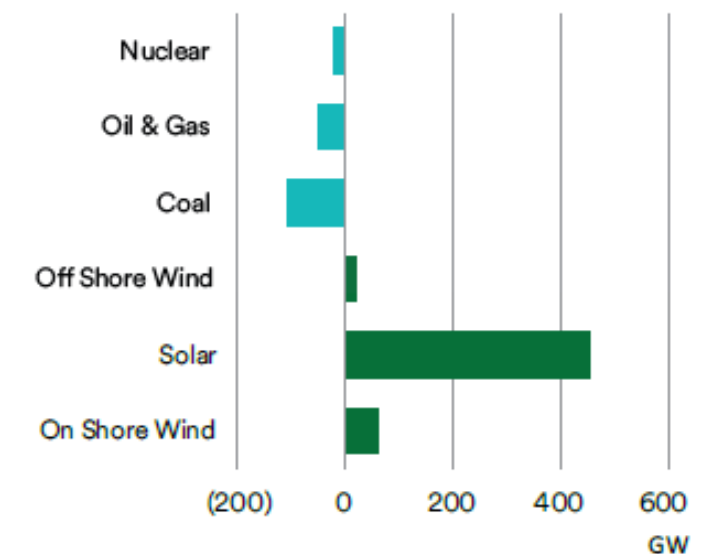
Demand for electricity is expected to grow...

US electric demand growth



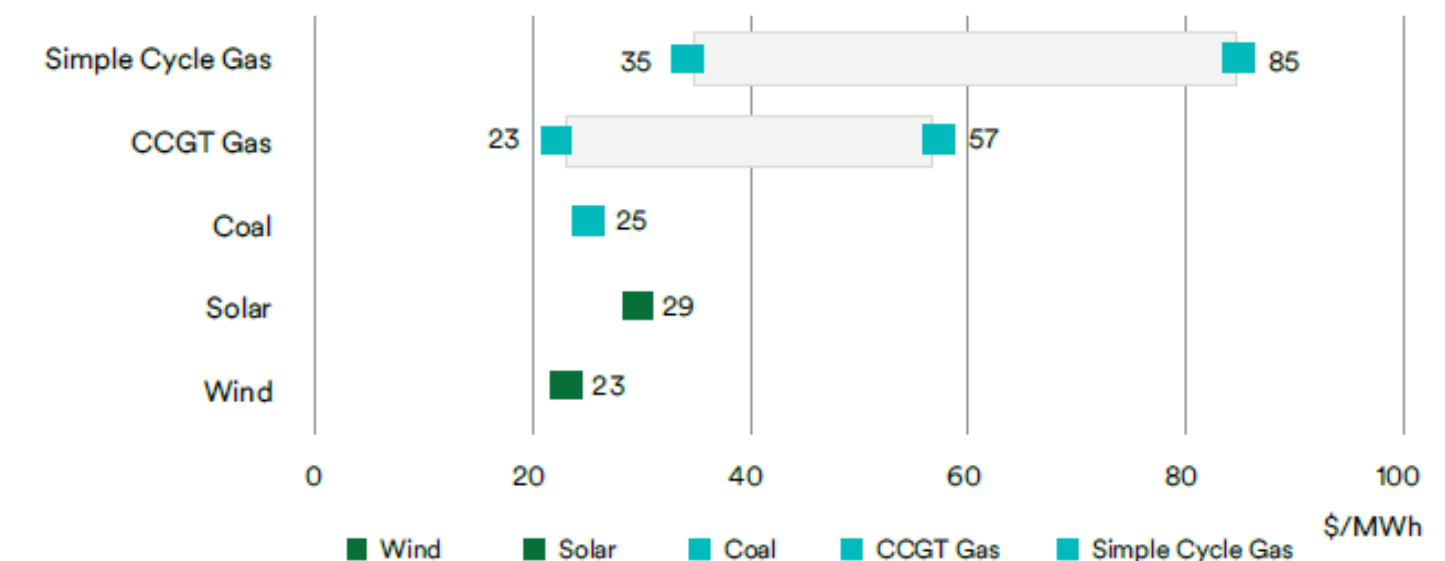
...while existing supply is shrinking due to plant retirements

Announced retirements & projected additions 2022-2050



Wind and solar are now among the cheapest sources of electricity in the US

Marginal cost of power generation



Source: EIA and Schroders Greencoat. Forecasts may not be realized and should not be relied upon. Information as of December 31, 2022 unless stated otherwise.

## EXAMPLE OPPORTUNITY #3

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### PRIVATE EQUITY - ESOP FOCUSED FUND

#### Investment Opportunity

- 210,000 businesses worth \$10 Trillion are owned by baby boomers
- Manager who has extensive expertise in ESOP transactions
- ESOP attractiveness
  - Attractive purchase price given significant tax benefits
  - Current income delivers early distributions for limited partners
  - Projected 2.5 - 2.7x multiple over 10 years

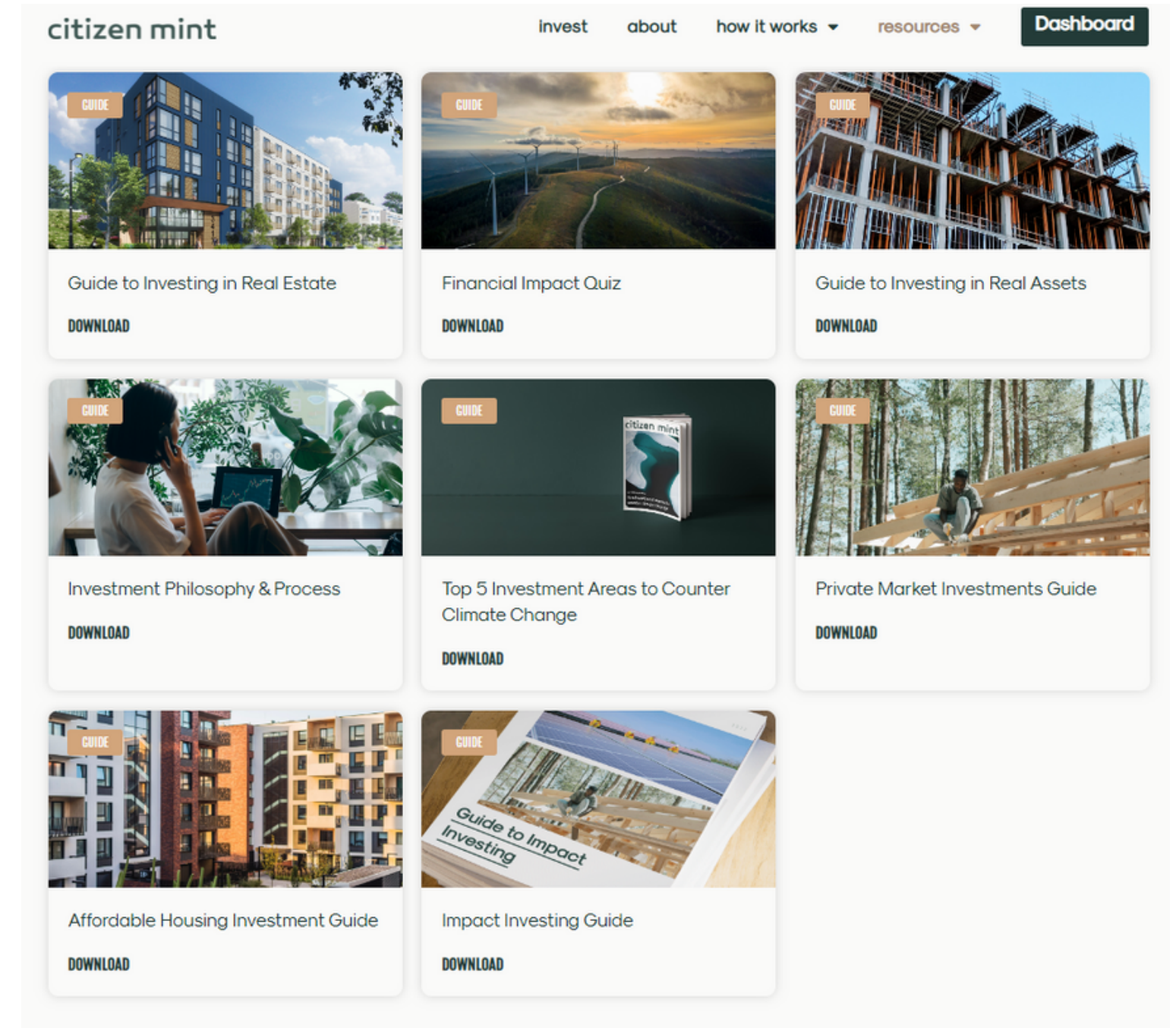
#### Impact Opportunity

- Employee owners have higher levels of income, wealth and benefits than non-employee owners
- Research shows employee owned companies outperform peers by 4-5% after ESOP
- Focus on two UN SDGs
  - #10 Reduced Inequalities - All full time employees participate and accrue new and meaningful wealth
  - #8 Decent Work & Economic Growth - Improve job quality over the life of the investment

# RESOURCES

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- [Citizen Mint](https://citizenmint.com/resources) - citizenmint.com/resources
- [Global Impact Investing Network](#)
- [Fidelity Charitable](#)
- [Morningstar](#)
- [Institute for Management Development](#)
- [Stanford Social Innovation](#)





# QUESTIONS?

QUESTIONS	Josh Hile josh@citizenmint.com 425 974 5564	<a href="http://Citizenmint.com">Citizenmint.com</a>	<b>citizen mint</b>	
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