

# Investing to make a social impact.

San Francisco Chronicle Oct 6 , 2010

Byline: Will Kane; Chronicle Staff Writer

Most investors, when sizing up a company, ask a simple question: "Will this company make me money?"

But John Grafer, a principal with Satori Capital, likes to ask a question most traditional investors never think of: "Does your receptionist have an equity stake in your company?"

"It shows that they focus on the long-term with all of their stakeholders," he said Monday at the Social Capital Markets 2010 conference at the Fort Mason Center.

Grafer is one of a growing breed of investors who look beyond the bottom line and ask what a company is doing to help society. It's called impact investing, and its supporters say it combines the shrewdness of the for-profit marketplace with an earnest desire to do good.

Companies like Waste Capital Partners, which uses the international carbon-credit market to fund garbage collection in India, are doing just that.

Founded by Parag Gupta more than a year ago, the company supports garbage scavengers so they can stop finding recyclable trash in dumps and instead collect it in individual homes on a weekly basis. It's like the garbage service seen in most of the developed world, he said.

Gupta's company then aggregates that trash and, by disposing of it properly, can prevent it from polluting the environment or releasing greenhouse gases. The company sells carbon credits on the international market, and Gupta uses that revenue to pay the individual garbage collectors as well as his company's investors.

He is making money, but he is also helping the environment and Indians who have never had regular garbage collection.

And because his company is for-profit, he doesn't have to depend on donors or grants.

That's exactly what impact investing is all about, conference organizers and investors said.

"It's the opposite of a quick flip," Grafer said. "While there might not be a short-term return, you get a larger long-term return."

The companies that make up Satori's \$175 million fund all have to meet strict financial and social benchmarks. Grafer said he focuses on ownership, the environment, civic involvement and respectful relationships with customers.

"Oftentimes, the best clue is something like: 'Does the receptionist have an equity stake in the company?' I like to see that," he said.

The conference was the largest gathering of impact investors this year, organizers said.

Twelve-hundred people from 40 countries spent three days discussing what some say could be the next big trend in investing.

A report by Hope Consulting indicates that investors were willing to spend as much as \$120 billion on companies that promise social and financial return, if the right product were available. Four social market funds are well on their way to reaching \$100 million. And attendance at this year's conference was double what it was when the conference began just three years ago.

Organizers say the trend toward socially conscious investing has been spurred by the downturn in the economy.

"The traditional market failed," said Kevin Jones, of San Francisco's Good Capital and a conference organizer. "This kind of stuff works without creating a bubble."

But the market for this kind of investing is still young and most companies, while good-hearted, aren't worthwhile investments, said Morgan Roberts, a senior investment manager with Manchester Capital Management, a fund that serves nonprofit foundations.

"High risk usually means you'll lose 30 to 40 percent of your money, but high risk for these people means you can lose everything," he said. "I'll get maybe 12 cards today but only one - maybe - is going to make the cut."

"This kind of stuff works without creating a bubble."

Kevin Jones of Good Capital

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CAPTION(S):

The Social Capital Markets 2010 conference drew 1,200 people from 40 countries to discuss what some say could be the next big trend in investing.

Kirsten Aguilar / The Chronicle

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