

Capitalizing on Innovation

Core Innovation Capital has set out to serve more than 10 million people, and save them at least \$50 a month, for a total annual savings of \$6 billion, in addition to helping them become more upwardly mobile. In just two years since its inception, the venture capital fund is well on its way. Through its investments in SavvyMoney, Plastyc, L2C, and Progreso Financiero, the fund is indirectly helping well over 5 million low- to moderate-income consumers pay down their debt and gain access to the financial services they need.

Spun out of the Center for Financial Services Innovation (CFSI) in 2010, the \$45 million fund seeks innovative companies that not only have the potential to achieve above-market returns, but that have a vision to improve the lives of un- and underbanked consumers with responsible financial products. A CFSI strategic partner, the fund intends to make investments of between \$4 million and \$6 million in up to a dozen companies by 2017.

When looking for investment opportunities, managing partners Arjan Schütte and Michael Harris place priority on early growth stage, for-profit companies with a solid management team, a disruptive business model with the ability to achieve significant scale, and a deep commitment to serving low- to moderate-income consumers. Also important is a company's ability to offer consumers increased convenience and immediate cost-savings, as well as help them build assets and credit, and migrate to more mainstream consumer products.

Outside of its portfolio investments, Core Innovation Capital finds other ways to foster innovation and make an impact in the market. Since 2011, the fund has sponsored a "Core Underbanked Innovation Challenge," in which entrepreneurs compete for a chance to win a \$10,000 grant at CFSI's annual conference, the Underbanked Financial Services Forum. The real benefits of the competition, though, are increased visibility and public endorsement, Schütte says, as conference attendees—which include leaders in the financial services, government and nonprofit arenas—are the ones who vote for the winner.

Schütte believes the fund's commitment to a double bottom line—focusing on businesses with the potential to make a social impact and achieve above-market returns—adds, not detracts, value to the portfolio companies. "A lot of people that do invest in this space don't care about the welfare of the end user and we do," he said. "We think it will make better business."

CORE INNOVATION CAPITAL

"WE BELIEVE INVESTING IN LONG-TERM VALUE FOR THIS CUSTOMER IS NOT JUST GOOD FOR THEM, BUT WILL CREATE SUPERIOR INVESTMENT RETURNS."

ARJAN SCHÜTTE,



COMPASS COMMITMENT

Core Innovation Capital was the first company to make a public Compass Commitment. The Center for Financial Services Innovation is looking for organizations to take action on the Compass Principles, aspirational guidelines that define how providers can work toward a vision for the future in which financial services are safe and actively contribute to improving people's lives. Core Innovation Capital has publicly committed to a specific, measurable, and high-impact initiative to demonstrate application and adoption of the Compass Principles.

CHECK THE FACTS:

- ✓ Core's portfolio companies are serving more than **5 million** people.
- ✓ More than **80%** of the portfolio companies' customers are low- to moderate-income consumers.
- ✓ SavvyMoney users are managing more than **\$1.5 billion** in debt in the system.
- ✓ **83%** of PlastyC's users report annual income below **\$40,000**.
- ✓ A leader in its field, Core was featured by the Rockefeller Foundation's Global Impact Investing Network for its pioneering **impact audit** process.

About the Managing Partners



Prior to leading Core Innovation Capital, Arjan Schütte was a senior manager at CFSI from the time of its inception and currently serves as a senior advisor. Schütte has extensive entrepreneurial experience, working in technology leadership, consulting and general management roles at several venture-backed companies. He earned a Master of Science from the Media Laboratory at the Massachusetts Institute of Technology and a BA in philosophy and communication at Lewis & Clark College.



Michael Harris began his career working for the state of Minnesota, doing cost analysis of Medicaid and Medicare programs. He then spent 15 years working for UnitedHealth Group on several mergers and running a UnitedHealth subsidiary. Harris was a three-term city council member of his native St. Paul, Minn., and a partner at venture fund Validus Partners. He holds a Master of Science in economics and public policy from the University of Minnesota and a bachelor's degree from Saint John's University.

For more information on Core Innovation Capital and its work, go to www.corevc.com.

Meet Core's Portfolio Companies

- **SavvyMoney** (www.savvymoney.com) is an online debt-management resource. SavvyMoney.  com offers users tools and advice on how to pay down their debt, and helps consumers stay on track to becoming debt free.
- **PlastyC** (www.plasty.com)  offers consumers a way to manage their money 24/7 by providing access to FDIC-insured accounts that cannot be overdrawn, through the web and by mobile phone. PlastyC's prepaid cards feature convenient checking account-like services at lower prices.
- **L2C** (www.l2cinc.com)  is a credit risk analytics company that collects "alternative" data such as bill payment and rental data to help companies better understand the payment profile of potential customers who may not have had access to traditional credit in the past.
- **Progreso Financiero**  (www.progressfin.com) provides loans without collateral to clients who lack credit history by using a sophisticated risk-scoring system that emphasizes a client's true capacity to afford a loan.