# Narrative Analytics™ on Impact Investing

## Analysis of Narratives on Impact Investing in the US and UK

FEBRUARY 2016

Monitor 360

OMIDYAR NETWORK

# Contents

# Overview & Methodology

# Narrative Analytics Methodology*

- **Definition of Impact Investing:** Isolated content on impact investing, including topics such as socially responsible investing and impact bonds/pay for success, and filtered out topics such as corporate social responsibility

- **Timeframe:** Oct. 20, 2014 – Oct. 20, 2015

- **Sources:** 59,000+ English language articles and blog posts—pulled from a potential source base of over 1 million—from outlets in the US and UK with narrative rich content on impact investing (*see Appendix for sample sources*)

- **Clustering:** Grouped articles based on content similarity using proprietary algorithm

- **Narrative drafting:** Qualitatively analyzed groupings to identify underlying narratives, and drafted narratives to reflect the authentic voice of the believers of that narrative

- **Quantification:** Determined the impact of each narrative based on volume, social sharing, and other factors

- **Narrative Footprint**: Measured percentage of articles within a specific narrative that mention a particular audience, person, or issue-area

**See Appendix for additional information on the methodology and sample sources*

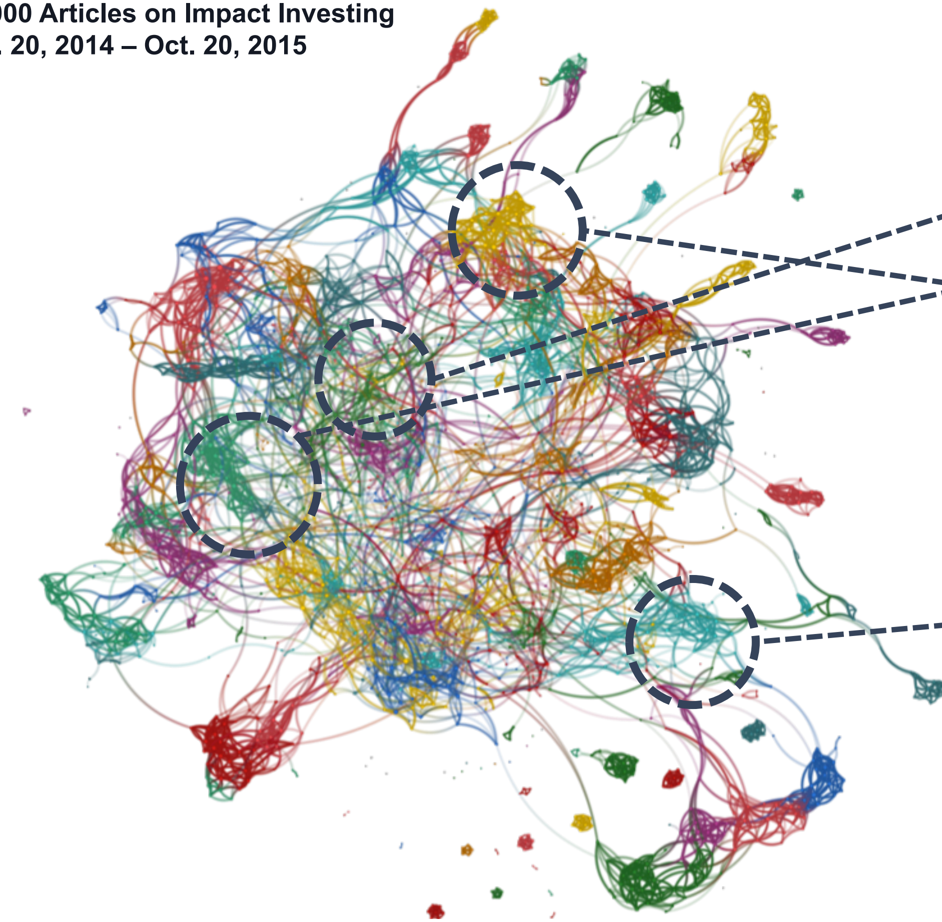
# Abridged Narrative Descriptions*

| | Narrative Title & Impact | | Abridged Description: Summary of Narrative in the Voice of Those Who Express It |
|---|---|---|---|
| POSITIVE | Powerful Government Tool | 24% | *Social impact bonds (or 'Pay For Success') are a powerful tool that enables private resources to fund innovative social programs. This is a promising approach, but will take time to demonstrate feasibility and success.* |
| | Taking Off | 18% | *Impact investing is gathering momentum as investors increasingly seek to align their money and values, and demand strategies that conscientiously contribute to social or environmental good while also achieving a return.* |
| | Reaping Returns | 12% | *Investors have realized that impact investments provide financial returns and meaningfully impact society, enabling people to 'do good while doing well.'* |
| | Millennials Demand It | 12% | *Millennials want to make a difference in the world. As they inherit family fortunes or create their own wealth through entrepreneurship, they are demanding more options for impact investment.* |
| | Partners for Development | 4% | *Private financing through public-private partnerships (PPPs) is essential to help solve development issues. These partnerships must grow to increase private capital flows and make real strides in global development.* |
| NEGATIVE | Must Measure Impact Better | 7% | *Standards for measuring impact must be developed to increase accountability and credibility. Measuring both financial and social performance will hold investors to account and ensure programs are fairly evaluated.* |
| | Sacrificing Profit | 6% | *Impact investing strategies are likely to compromise financial returns. Though people may be drawn to do-gooder companies, there are advantages to not restricting investments, especially for important savings plans.* |
| | Not A Silver Bullet | 5% | *While impact investing has many upsides, it is not all positive. The focus on monetary incentives can create a conflict of interest and sideline problems that aren't profitable. It is not the solution for all societal challenges.* |
| NEUTRAL | SRI Is Limited | 6% | *Socially responsible investment (SRI) is increasingly popular, though the process can be onerous, and simply excluding 'bad actors' from investment portfolios falls short of pro-active investments in companies that do good.* |
| | Pivotal Regulations | 5% | *Regulations—from investment vehicles to tax structuring—are critical to lowering barriers to impact investing. Improving them will help the strategy gain traction among a wider group of potential investors.* |

**Narrative descriptions reflect the themes and language used by those who express this narrative; percentages indicate share of impact in the landscape.*

# Visualization of the Impact Investing Conversation

**59,000 Articles on Impact Investing**
**Oct. 20, 2014 – Oct. 20, 2015**



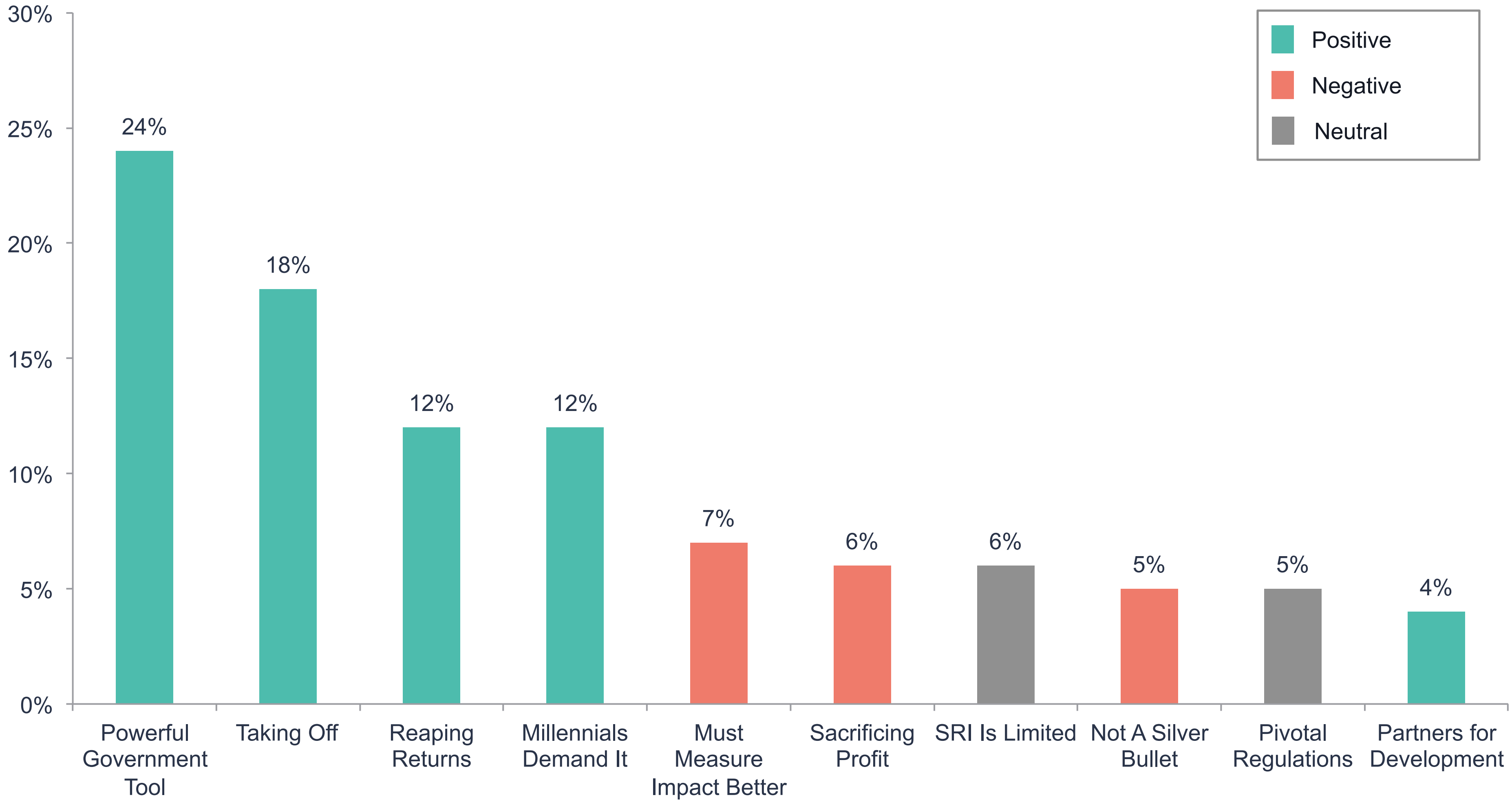
Individual dots represent one article or post, analyzed both qualitatively and quantitatively. Color clusters correspond to article groupings that embed the same narrative. Strings represent links between articles. Narrative Impact is the share of the total conversation represented by each narrative cluster.

| Narrative Impact | Narratives |
|---|---|
| › 24% | Powerful Government Tool |
| › 18% | Taking Off |
| › 12% | Reaping Returns |
| › 12% | Millennials Demand It |
| › 4% | Partners for Development |
| › 7% | Must Measure Impact Better |
| › 6% | Sacrificing Profit |
| › 5% | Not A Silver Bullet |
| › 6% | SRI Is Limited |
| › 5% | Pivotal Regulations |

# Impact Investing Narrative Landscape: US Versus UK

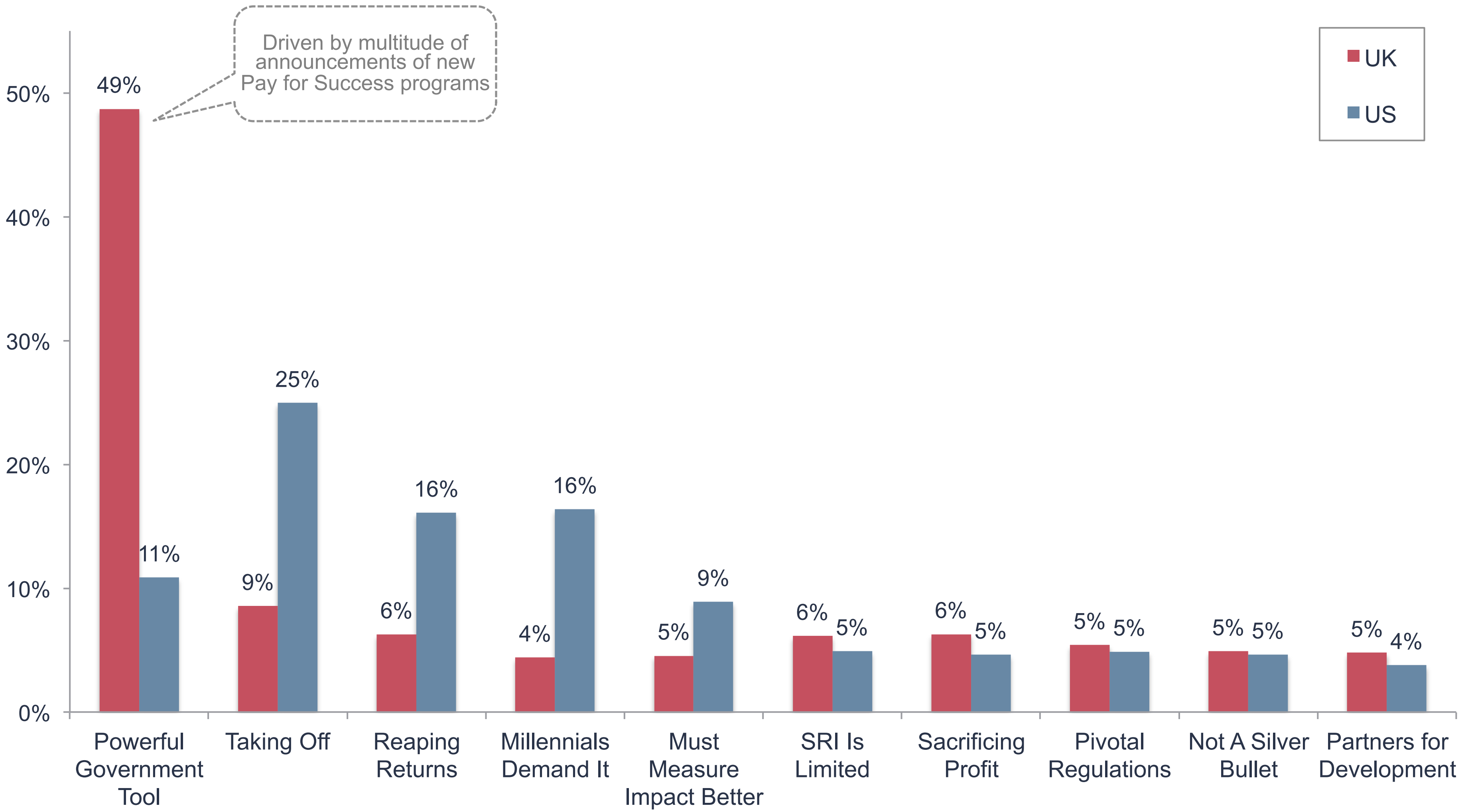
# Identified 10 Unique Narratives about Impact Investing

*Conversation positive overall, led by "Powerful Government Tool" and "Taking Off" narratives, which position impact investing as an exciting approach that multiple sectors can use*



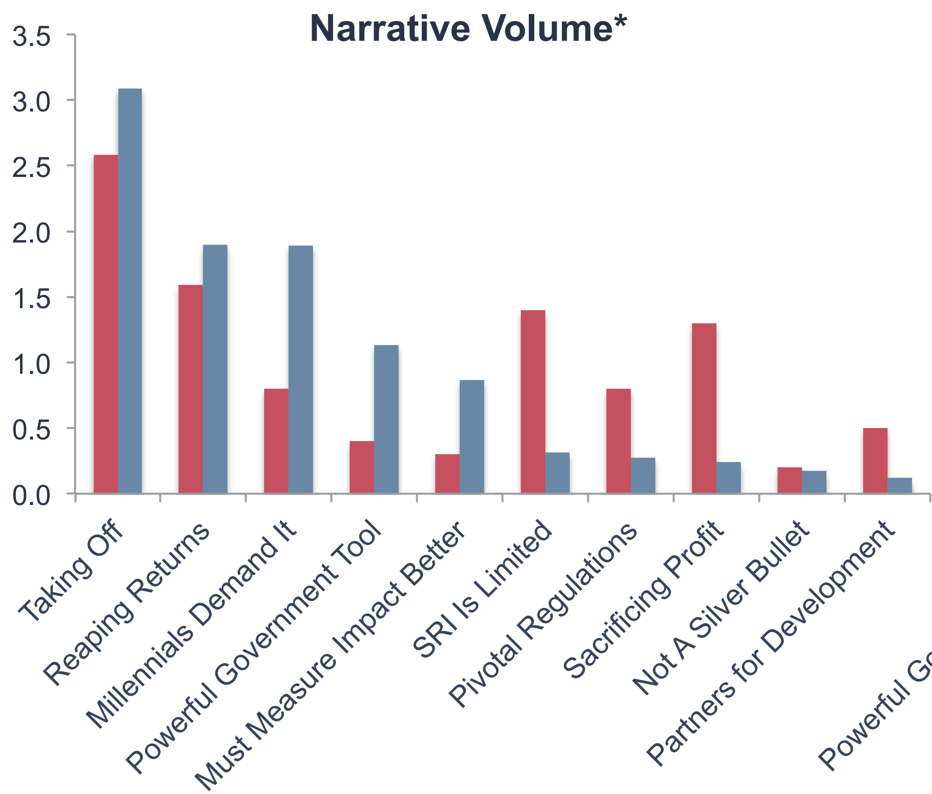
# Narrative Impact Comparison: UK and US

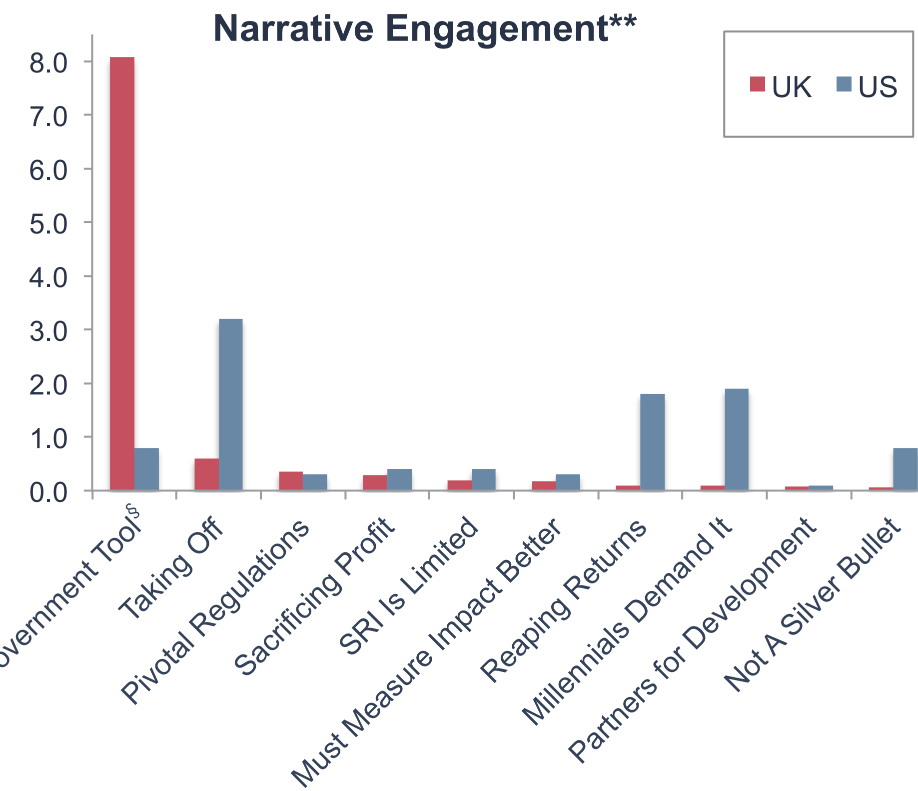
*Positive narrative about social impact bonds dominates UK discourse, while excitement of the potential of impact investing, financial returns, and millennial demand characterize US discussion*



# Comparison: Media Coverage Versus Social Sharing

*"Taking Off" has the greatest overall volume of media coverage in the US and UK, while "Powerful Government Tool" dominates social media engagement in the UK, due to high sharing of articles about Pay for Success programs across social media platforms*




*Narrative volume is a normalized score that compares the number of articles published containing each narrative, adjusted for source reliability and significance. The volume of each narrative is then compared relative to the average of the entire network, which is 1,347 overall (US: 1,123, UK: 224). The total volume of all narratives is lower in the UK than the US primarily because the UK is a smaller country with fewer media outlets.

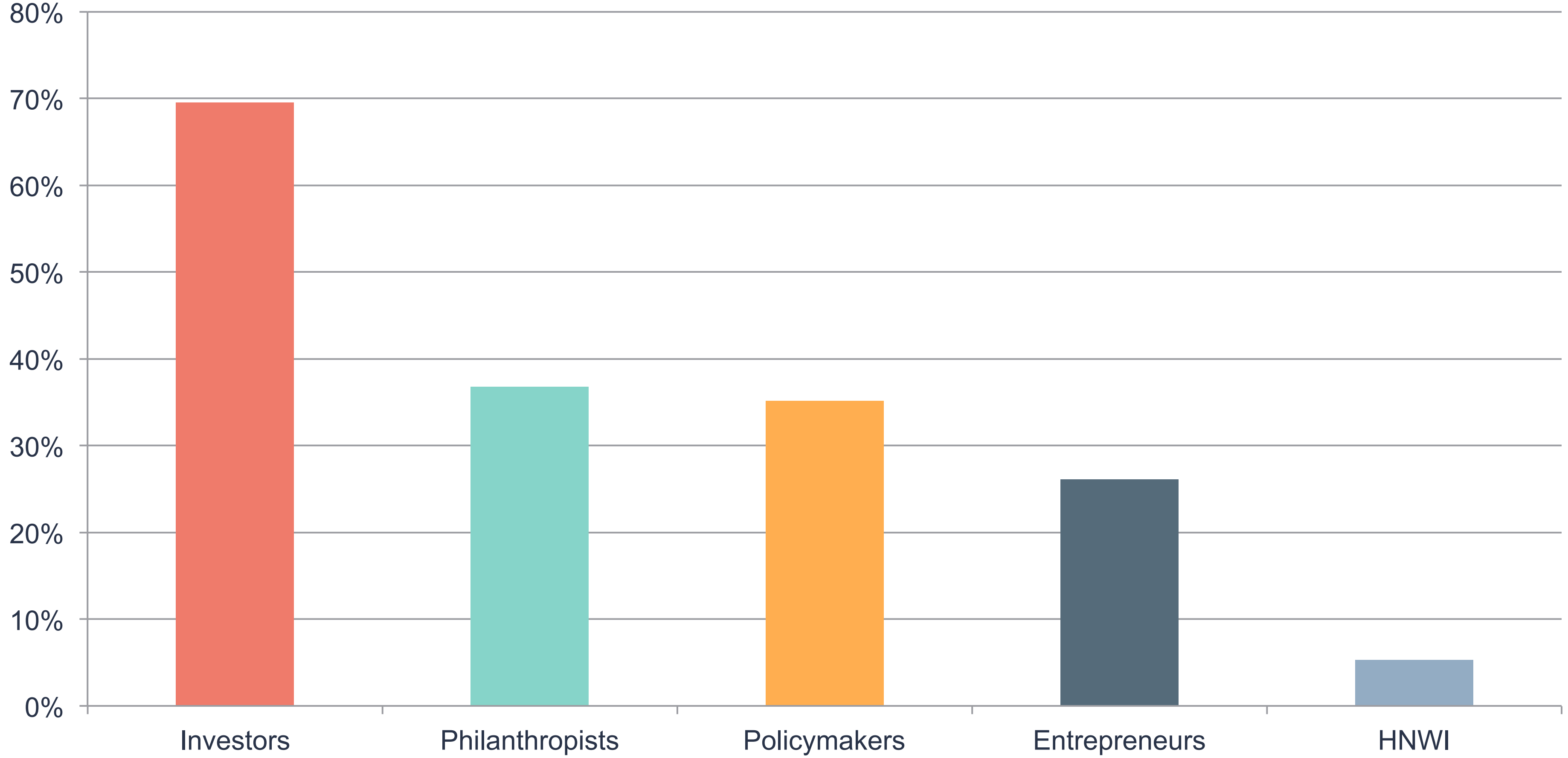
**Narrative engagement is a normalized score that measures the social engagement—i.e. bitly shares; Facebook shares, likes, and comments— of each narrative's total number of media items, adjusted for the type of social media platform. The engagement score for each narrative is then compared relative to the average of the entire network, which is 5,466 overall (US: 1,677; UK: 3,789).

[§]High narrative engagement of "Powerful Government Tool" is due to high sharing of a reputable article about a debate in Parliament on social impact bonds.

# Narrative Breakdown by Audience & Issue Area

# Presence of Audiences in Overall Landscape

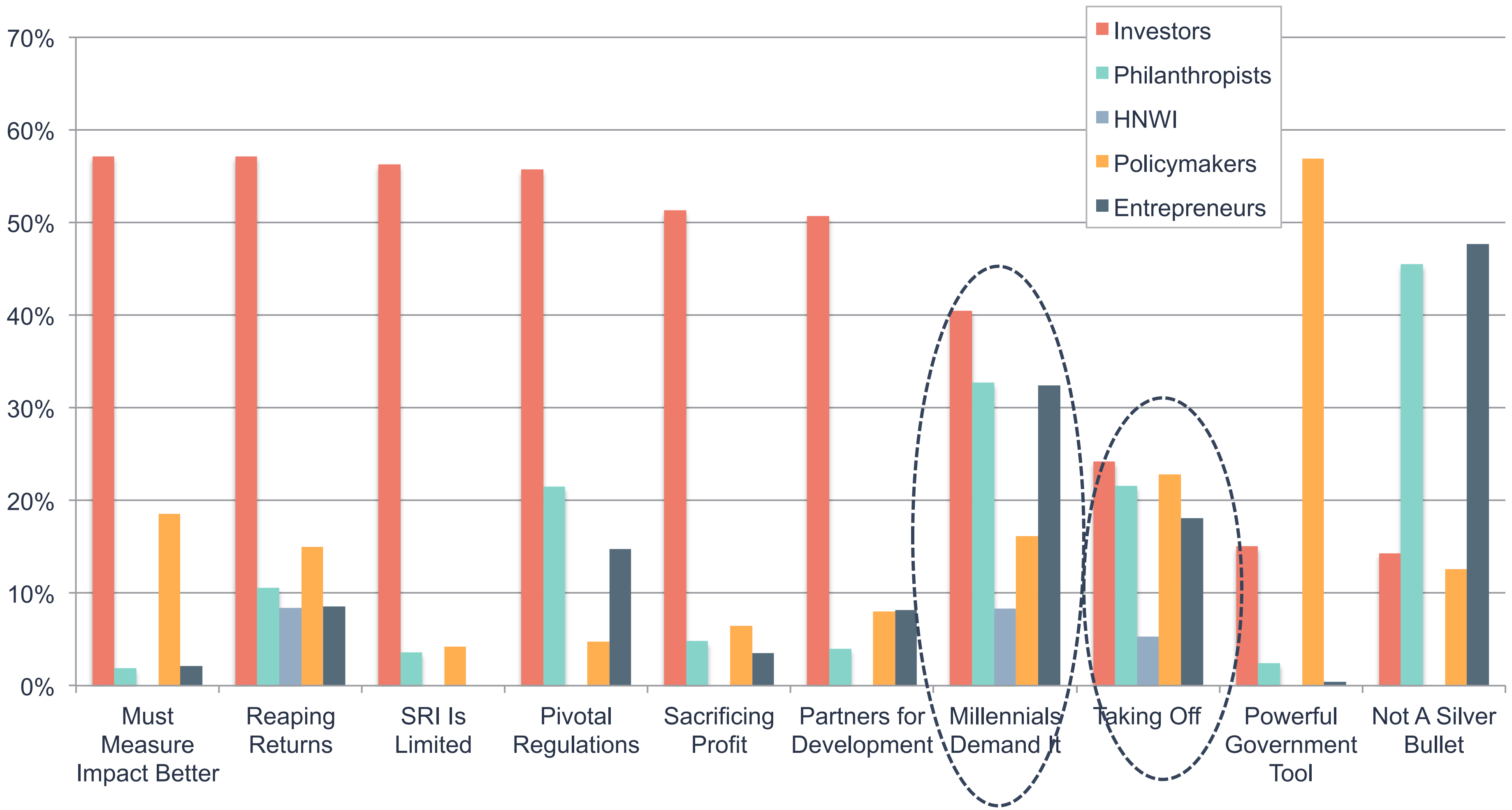
*Investors are most prominent; followed by philanthropists and policymakers who are equally prevalent, and then entrepreneurs. High Net Worth Individuals are least visible at under 10%.*




*Numbers reflect the percentage of articles within the landscape that mention the specific audience.

# Narrative Breakdown by Audience

*Investors highly visible overall as they are involved in all types of impact investments*
*"Millennials Demand It" and "Taking Off" are high volume narratives with cross-cutting appeal*




*Numbers reflect the percentage of articles within a specific narrative that mention the audience; the difference of the narrative breakdown by audience between the UK and US was negligible.

# Top Mentioned Issue Areas

*Education is the most visible issue associated with the impact investing narrative landscape*

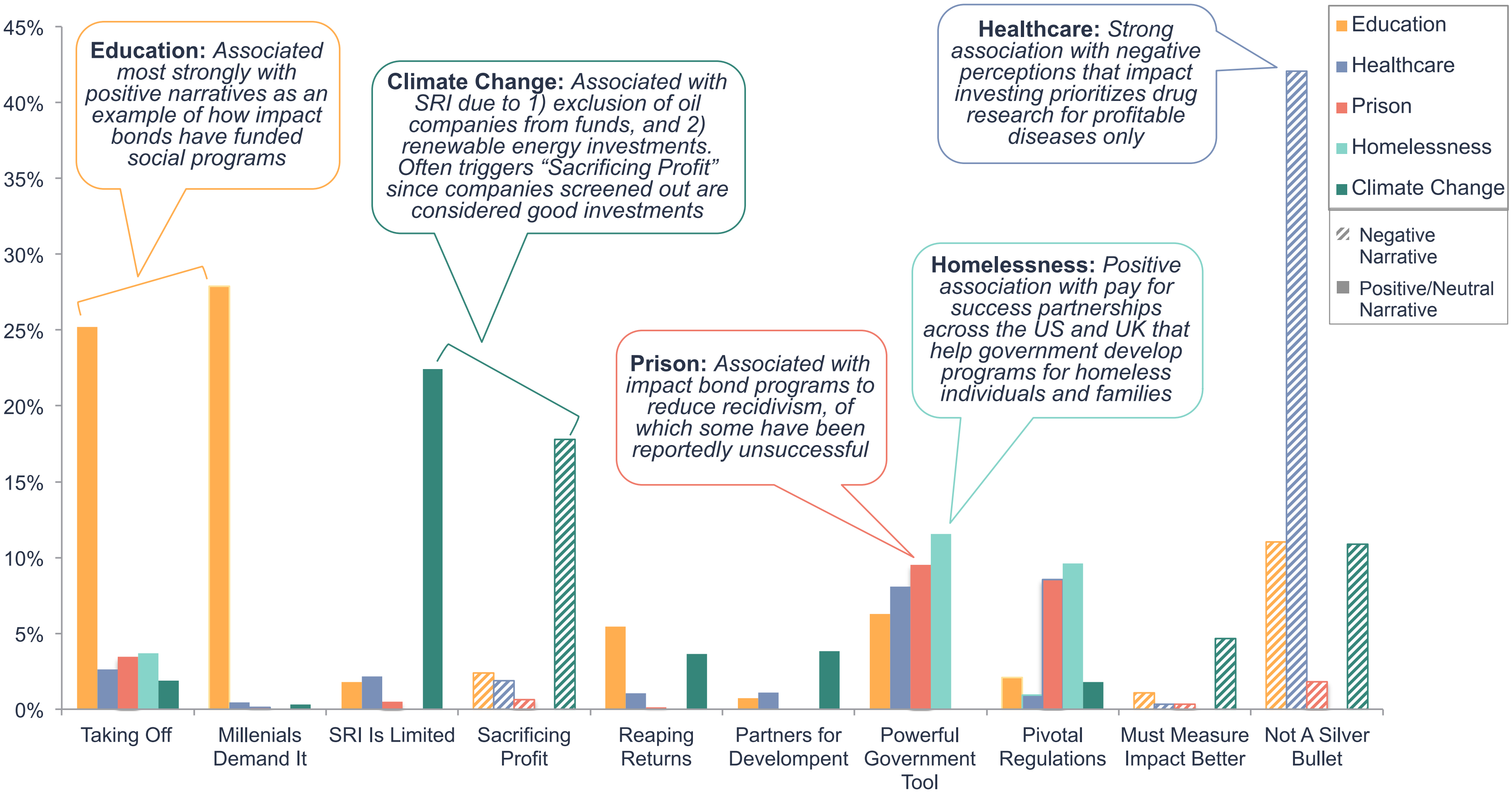
| Issue Area | # of Mentions |
|---|---|
| Education | 557 |
| Climate Change | 315 |
| Healthcare | 232 |
| Prison Reform | 225 |
| Homelessness | 152 |

**KEY INSIGHTS**:

- Education is the most mentioned issue-area, due to its association with social impact bond programs, impact investment options for education funds, and demand for impact investing careers among business school students
- Climate change is the second most prominent issue-area, primarily due to its visibility as a cause that benefits from SRI
- Healthcare and prison reform have relatively equal prominence in the overall landscape, followed by homelessness

# Top Issue Areas Associated with Each Narrative

*Healthcare often portrayed as an issue that impact investing can't effectively address; Prison reform, homelessness, education often seen as ripe for impact investment; climate change sometimes associated with "Sacrificing Profit"*




**Numbers reflect percentage of articles within a narrative that mention an issue. Qualitative investigation conducted of drivers of negative or positive themes.*

# Narrative Descriptions

# Categories of Narratives

## Positive

*Powerful Government Tool, Taking Off, Reaping Returns, Millennials Demand It, Partners for Development*

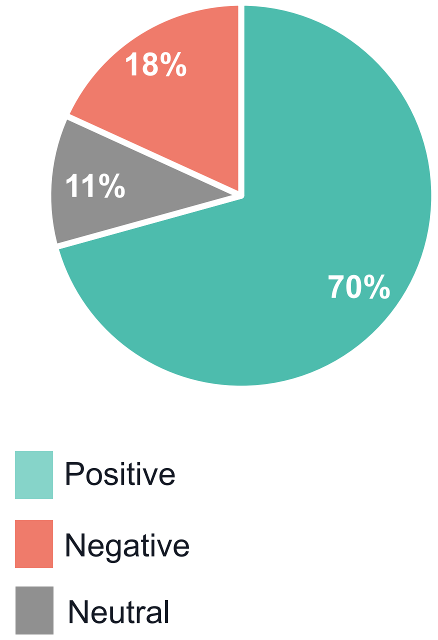
## Negative

*Must Measure Impact Better, Sacrificing Profit, Not A Silver Bullet*

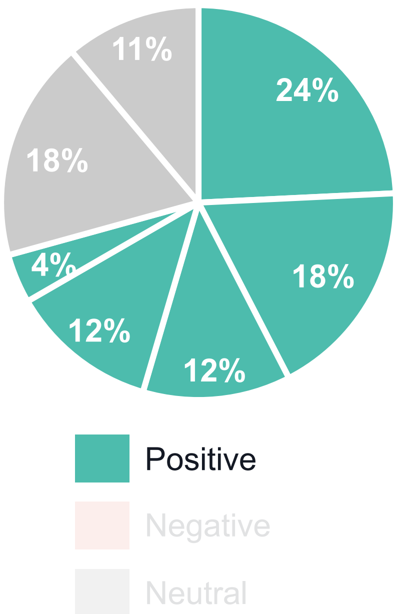
## Neutral

*SRI is Limited, Pivotal Regulations*

**Share of Impact of Categories**



# Positive Narratives




| Narrative | Share of Total Impact |
|---|---|
| Powerful Government Tool | 24% |
| Taking Off | 18% |
| Reaping Returns | 12% |
| Millennials Demand It | 12% |
| Partners for Development | 4% |

**Insights**:

- Of total coverage, 30% indicated that it is gaining popularity as an investment strategy generally and for specific groups, such as Millennials (“Taking Off” and “Millennials Demand It”).
- 28% of the conversation praised the social benefits for governments and global development (“Powerful Government Tool,” “Partners for Development”), and 12% discussed the financial benefit of impact investing (“Reaping Returns”).

# Powerful Government Tool

IMPACT SCORE

24%

"Social impact bonds, sometimes known as 'Pay for Success (PFS),' are a powerful tool that enables private resources to fund innovative social programs. Governments only have to pay investors back for their contributions if the programs prove effective, ensuring that taxpayer dollars only finance programs that work. While this approach has much promise, it is nascent and will take time to demonstrate feasibility and success in practice."*

**Illustrative Quote:**

*"By mobilizing public and private resources and stressing accountability, the SIF's Pay for Success initiative has the potential to improve the lives of some of our most vulnerable people, reinvigorate communities in the process, and forever change the way government serves the public and demonstrates results to taxpayers."*

–Deborah De Santis, *Huffington Post Blog*

**Narrative descriptions reflect the themes and language used by those who express each narrative.*

# Taking Off

IMPACT SCORE

18%

"Impact investing is gathering momentum as investors increasingly seek to align their money and values. Though the primary goal of investing has been to make as much money as possible, more and more people are demanding strategies that are conscientious and contribute to social or environmental good while also achieving a return. All investments should be evaluated based on their potential for positive impact—and we should double down on those that do, and avoid those that don't."

**Illustrative Quote:**

*"While the primary goal of any investor is to make as much money as possible, a growing trend has emerged in recent years of a more conscientious approach to investing. In particular, renewable energy and environmentally friendly products are beginning to benefit greatly from investors who want to know that their money is going towards things that aren't harming the world."*

–Jules Gray, *World Finance*

# Reaping Returns

IMPACT SCORE

12%

"Investors have realized that impact investments provide financial returns and meaningfully impact society, enabling people to 'do good while doing well.' The notion that applying values means sacrificing returns is a myth. Data shows that companies seeking both financial and social returns actually perform better than companies that are solely financially motivated."

**Illustrative Quote:**

*"Our clients today seek to invest intelligently, with the knowledge that they can invest for the social good while seeking strong financial returns."*

–Bank of the West Press Release, *Reuters*

# Millennials Demand It

IMPACT SCORE

12%

"Having grown up in the age of connectivity, Millennials want to make a difference in the world and are eager to contribute positively to society and the environment. Witnessing the global recession in 2008 led many to be frustrated with the financial system solely focused on profit, and as they now inherit family fortunes or create their own wealth through entrepreneurship, they are demanding more options for impact investment."

**Illustrative Quote:**

*"Our main goal in life is not at all about making the most amount of money possible. It's about living lives that we feel good about."*

–Krista Pfeiffer, quoted in *US News* article by Deborah Ziff

# Partners for Development

IMPACT SCORE

4%

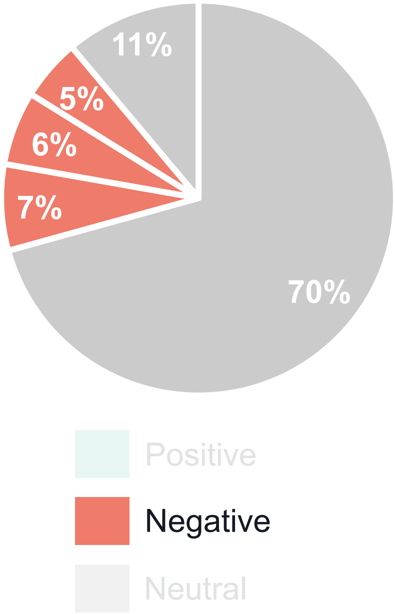
"Private financing through public-private partnerships (PPPs) is essential to support development issues around the world. PPPs leverage both private sector know-how and operational experience, and public sector transparency and institutional knowledge in order to finance areas like infrastructure, education, and sustainable food production. These partnerships must grow in number and size to increase private capital flows and make real strides in global development."

**Illustrative Quote:**

*"Overcoming the region's power gap is estimated to cost around $100 billion per year – more than 10 per cent of the GDP of the continent. The public sector cannot carry this responsibility alone, and thus its imperative for private sector investors to get involved and partner for a brighter future."*

–Neil van Niekerk,
*Business Fights Poverty*

# Negative Narratives




| Narrative | Share of Total Impact |
|---|---|
| Must Measure Impact Better | 7% |
| Sacrificing Profit | 6% |
| Not a Silver Bullet | 5% |

**Insights**:

- 7% of all coverage discussed the need for common metrics to robustly measure the social or environmental impact of investments ("Must Measure Impact Better").
- 6% of the conversation suggested impact investing is likely to result in reduced or minimal financial returns ("Sacrificing Profit"), and 5% focused on downsides of impact investing ("Not a Silver Bullet").

# Must Measure Impact Better

IMPACT SCORE

7%

"Standards for measuring social and environmental impact must be developed to increase accountability and credibility in the field. Streamlined metrics will help tell a coherent story about impact investing and the relationship between programs' financial and social performance. Measuring both of these sides is equally important to hold investors to account and ensure that programs are being fairly evaluated."

**Illustrative Quote:**

*"Historically, measuring impact has been a major stumbling block in the social investment process. If you are an impact investor looking to invest, the single biggest hurdle to that money finding its way to organizations is the absence of a way to measure the social impact. A company merely claiming impact is insufficient; the impact investor needs a degree of rigor and proof – and a process that surrounds this."*

–Pradeep Jethi, *Philanthropy Impact*

# Sacrificing Profit

IMPACT SCORE

6%

"Impact investing strategies are likely to compromise financial returns. When social responsibility is the primary objective, good investment options are pushed aside and returns may suffer compared to other funds with fewer restrictions. Though people may be drawn to do-gooder companies, there are advantages to not being restrictive with investments, especially when it comes to retirement or other important savings plans."

**Illustrative Quote:**

*"More than half of individual investors surveyed by Morgan Stanley believe financial returns will be compromised by a sustainable investment strategy."*

–Robert Kropp,
*Social Funds*

# Not A Silver Bullet

IMPACT SCORE

5%

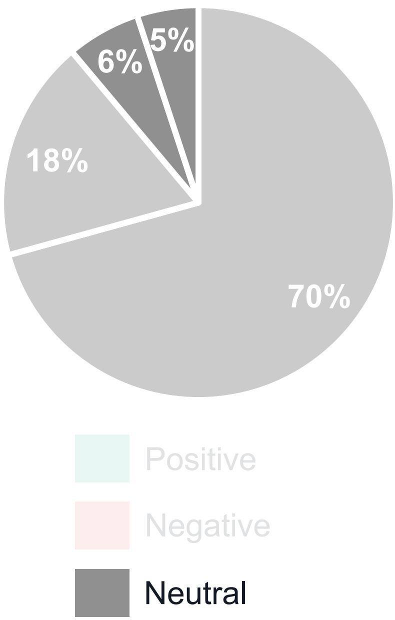
"While impact investing has many upsides, it is not all positive as there are many potential downsides and unintended consequences. The focus on monetary incentives can create a conflict of interest with the mission and overshadow social change objectives. And, some problems cannot be solved through enterprise, like disaster relief or human rights abuses, and risk being sidelined for not being profitable. Impact investing is not the solution for all societal and environmental challenges."

**Illustrative Quote:**

*"My concern is that the conversation about social enterprise—revenue-generating ventures designed for positive social impact—is overtaking the conversation about social change. As a rush of investors and an emerging generation of social entrepreneurs 'catch the bug,' we are in danger of reframing the entire social change conversation within a market context."*

–Eli Malinsky, *Forbes*

# Neutral Narratives




| Narrative | Share of Total Impact |
|---|---|
| SRI is Limited | 6% |
| Pivotal Regulations | 5% |

**Insights**:

- 6% of total coverage acknowledged that some responsible investment approaches have limitations (“SRI is Limited”).
- 5% of the conversation discussed ways to improve impact investing by incentivizing more people to partake through favorable regulations (“Pivotal Regulations”).

# SRI Is Limited

IMPACT SCORE

6%

"Socially responsible investment (SRI) is increasingly popular as investors demand that their fund managers ensure their investments are socially responsible. The most common form of this approach applies negative screening to exclude companies that have negative social or environmental impacts. Though demand is growing for SRI options, this process can be onerous for individuals to do on their own. And, simply excluding 'bad actors' from investment portfolios falls short of pro-active investments in companies that do good."

**Illustrative Quote:**

*"Work is really where the rubber meets the road when it comes to socially responsible investing. Here's why: many mutual funds and ETFs hold a wide variety of stocks in hundreds of companies. If you don't dig down into the holdings of a fund then you're inevitably going to leave yourself open to investing in a company you ardently disagree with."*

–John Schmoll,
*Frugal Rules* Blog

# Pivotal Regulations

IMPACT SCORE

5%

"Regulations—from investment vehicles to tax structuring—are critical to lowering barriers to impact investing. Public policies and regulations help incentivize people to mobilize private resources for social good, and they can also ease restrictions on philanthropies and foundations that want to partake in impact investing. Improved rules and regulations around impact investing will help the strategy gain traction among a wider group of potential investors."

**Illustrative Quote:**

*"Private financial resources are very important, but the challenge is how to mobilize them. We believe public policies will play a central role in creating an enabling environment at the domestic, regional and international levels."*

–Africa Renewal, *Modern Ghana*

# Appendix

# UK Illustrative Sources*

*59,000 articles and posts from 1,711 prominent news outlets and blogs in the US and UK*

**UK Traditional Media**

| | | | |
|---|---|---|---|
| 1 | Yahoo! Finance UK | 16 | Standard Life |
| 2 | Investment Pensions Europe | 17 | This is Money |
| 3 | Pioneers Post | 18 | Intellectual Asset Management |
| 4 | The Guardian | 19 | The Middle East Magazine |
| 5 | Private Equity Wire | 20 | Business Insider UK |
| 6 | Vox | 21 | Ernst & Young |
| 7 | Salford City Council | 22 | Civil Society - Home |
| 8 | Cambridge Network | 23 | ACQ Magazine |
| 9 | BusinessGreen | 24 | EveryInvestor |
| 10 | AlertNet | 25 | Reuters UK |
| 11 | GlobalCapital | 26 | Wealth Adviser |
| 12 | EMoneyDaily | 27 | Principles for Responsible Investment |
| 13 | ModernGhana News | 28 | Blue & Green Tomorrow |
| 14 | The Hill: Ballot Box | 29 | Climate and Development Knowledge Network |
| 15 | MSN UK | 30 | ISS-Mag.com |

**UK Blogs**

| | | | |
|---|---|---|---|
| 1 | NESTA UK | 16 | National Council for Voluntary Organisations |
| 2 | Euromonitor International | 17 | UK Fundraising |
| 3 | Huffington Post UK Blogs | 18 | Chartered Institute of Housing |
| 4 | NCVO Blogs Network | 19 | Farming Futures |
| 5 | Institute for Human Rights and Business | 20 | Lovemoney.com |
| 6 | ABN Amro | 21 | Procurement Leaders |
| 7 | Capital Law | 22 | Cilip |
| 8 | National Magazine | 23 | Videonet |
| 9 | Chartered Institute of Taxation | 24 | NextBillion.net |
| 10 | Solar Power Portal | 25 | SBA.gov |
| 11 | Finance Monthly | 26 | Sojourners |
| 12 | TOPMBA | 27 | AsiaSource |
| 13 | IIED | 28 | Private Equity HUB |
| 14 | PriceWaterhouseCoopers United Kingdom | 29 | Philanthropy News Digest |
| 15 | B Daily | 30 | Investment News |

**These are illustrative examples only, representing 30 sources each for UK traditional media and UK blogs.*

# US Illustrative Sources*

*59,000 articles and posts from 1,711 prominent news outlets and blogs in the US and UK*

| US Traditional Media | | | |
|---|---|---|---|
| 1 | Forbes | 16 | Chronicle of Philanthropy |
| 2 | BusinessWeek | 17 | Green Fire Times |
| 3 | Morningstar | 18 | Oakland Township Patch |
| 4 | Stanford Social Innovation Review | 19 | Bloomberg |
| 5 | Philanthropy News Digest | 20 | Black Enterprise |
| 6 | CNBC | 21 | PRWeb |
| 7 | 89.3 KPCC | 22 | CASE Notes |
| 8 | TheStreet.com | 23 | Entrepreneur.com |
| 9 | Huffington Post | 24 | Business Wire |
| 10 | Reuters | 25 | Houston Chronicle |
| 11 | Financial Advisor Magazine | 26 | Catalyst Chicago |
| 12 | Denver Post | 27 | Idaho Statesman |
| 13 | AgProfessional | 28 | Duke University |
| 14 | American Enterprise Institute | 29 | Investopedia |
| 15 | Yahoo! Finance | 30 | Devex |

| US Blogs | | | |
|---|---|---|---|
| 1 | World Policy Institute | 16 | New York Daily News |
| 2 | PhilanTopic | 17 | Citigroup |
| 3 | Inc.com | 18 | The Hill |
| 4 | Minyanville | 19 | Accounting Technology |
| 5 | Triple Bottom Line Investing Conferences Blog | 20 | Chicago Now |
| 6 | NextBillion.net | 21 | World Bank |
| 7 | SBA.gov | 22 | New Jersey Online |
| 8 | Sojourners | 23 | Salt Lake Magazine |
| 9 | AsiaSource | 24 | Trend Hunter |
| 10 | Private Equity HUB | 25 | Americas Quarterly |
| 11 | Philanthropy News Digest | 26 | iMarketReports |
| 12 | Investment News | 27 | Wired News |
| 13 | CSR Wire | 28 | CNBC |
| 14 | The White House | 29 | Stanford Social Innovation Review |
| 15 | Accounting Today | | |

*These are illustrative examples only, representing up to 30 sources each for US traditional media and US blogs.*

# Narrative Analytics™ Methodology Overview

**Narrative Analytics is a discovery-oriented process based on "listening" to the large volume of relevant conversations in traditional and social media. It reveals narratives that represent the underlying beliefs that drive public discourse. Narratives can then be quantified, compared, analyzed, and, ultimately, used to guide strategy.**

Monitor 360 has used the following methodology in over 50 narrative studies for corporations, foundations, and United States intelligence agencies on topics including healthcare, education, cloud computing, privacy, cyber-policy, and counter-terrorism.

Narrative Analytics includes the Four Step Process listed below. This process is tailored and adapted to fit the needs of each project and client.

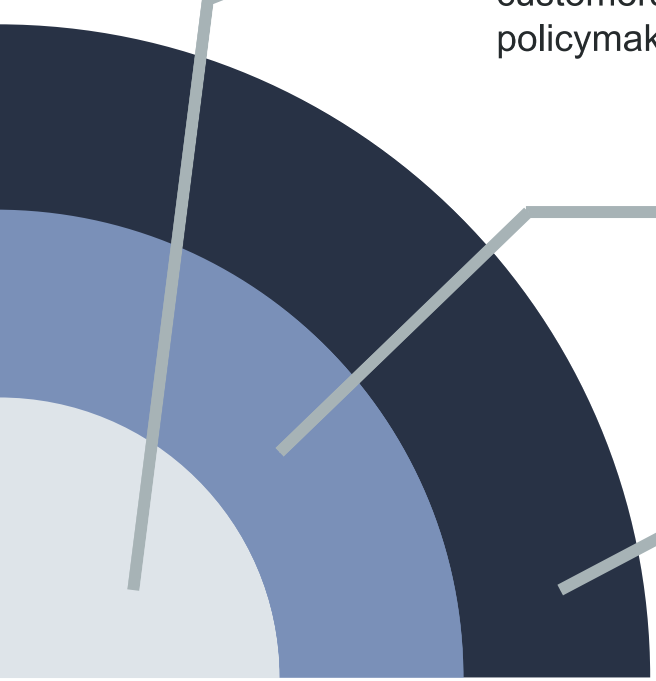
**Step 1:** Define the Analytic Agenda

**Step 2:** Develop the Data Set

**Step 3:** Identify the Narratives

**Step 4:** Analyze the Narrative Landscape

# Step 1: Define the Analytic Agenda



**Brand Narratives**
- Beliefs different audiences – media, customers, the business community, policymakers – hold about the client itself

**Industry Narratives**
- Beliefs people hold about the industry/area

**Societal Narratives**
- Deeply held national beliefs about the topic of interest

<u>Step by Step</u>

- Identify the strategic goals of the project
- Explore data availability and sources (online search)
- Determine the appropriate conversations (Narrative Landscapes) to investigate
- Create a plan for acquiring and analyzing relevant data

In this step we determine the conversations – Narrative Landscapes™ – that must be captured to address our client's strategic needs and an approach to developing and analyzing those Landscapes.

# Step 2: Develop the Data Set

***Data from Education Policy Case: Feb 2014-Feb 1015***

1 **TRADITIONAL MEDIA**

2 **SOCIAL MEDIA**

3 **BLOGS & FORUMS**

4 **CUSTOM INPUTS**

**137,000**
Traditional News Articles

**1,214,000**
Tweets, Facebook Posts, and LinkedIn Updates

**48,000**
Blog Posts

**2,800**
Custom Source Inputs (Client-specified sources)

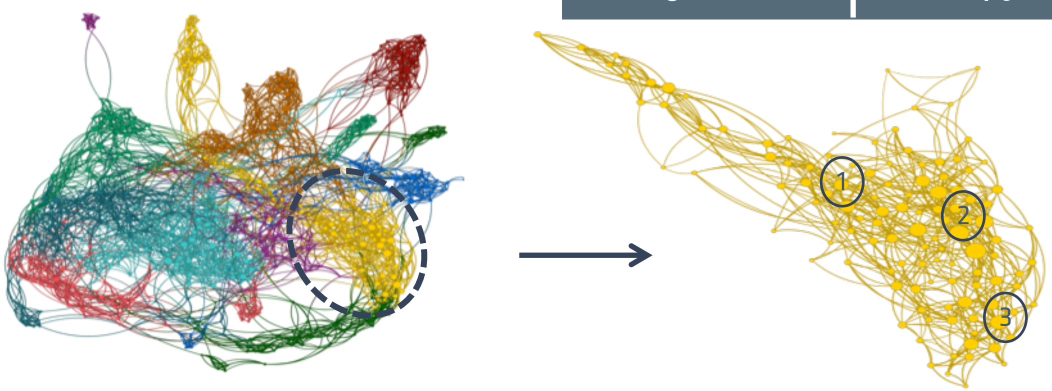
## Step by Step

- Identify the media channels that contain relevant conversations:
  - ✓ **Traditional media** (e.g., print, TV, radio)
  - ✓ **Social media** (e.g., Twitter, Facebook, Reddit, YouTube)
  - ✓ **Other online media** (e.g., blogs, forums)
  - ✓ **Custom or client-exclusive data** (e.g. survey data)
- Assess for narrative content and down-select the best sources
- Import content into our data warehouse and clustering tool
- Use proprietary search engine to isolate conversations in the data set

In this step, we integrate a range of data from vendors and our own web crawlers and scrapers for further analysis. We believe our data sources comprise one of the most comprehensive views of the total media landscape.

# Step 3: Identify the Narratives

| Narrative: Freeing Teachers | Share of Impact: 21% |
|---|---|




**Narrative Content:**

1. …The Common Core gives teachers the freedom to be creative and teach the way they want to in the classroom….
2. …The Common Core is an overreach of the Federal Government….
3. …America needs higher educational standards to compete in the global economy….

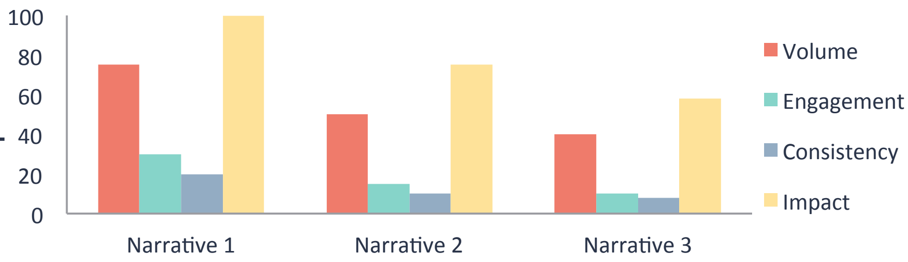
## Step by Step

- Cluster content according to content similarity
- Analyze content clusters, identifying potential narratives
- Stress test and refine narratives via expert judgment and analysis of thematic similarity
- Describe narratives in written long-form and capture major themes that transcend individual news stories
- Tag content by the narratives expressed within it, to enable further quantification and analysis

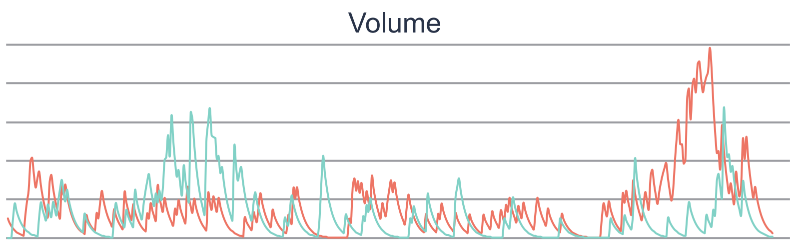
In this step, we use software-driven and qualitative methods to identify and define the narratives expressed in the Landscape. After developing a working set of narratives, we draw on a range of subject matter expertise to validate and refine them.

# Step 4: Analyze the Narrative Landscape

Comparative




Longitudinal




Footprint

## Step by Step

- Quantify narratives based on a core set of metrics:
  - ✓ **Narrative Engagement:** the extent to which media items are shared socially
  - ✓ **Narrative Volume:** the volume of content expressing a given narrative
  - ✓ **Narrative Consistency:** measures narrative homogeneity
  - ✓ **Narrative Impact**: synthesizes the above scores into a weighted
  - ✓ **Narrative Footprint:** associations between various entities and narratives
- Qualitatively assess client and competitor messaging against narratives

In this step, we assess each narrative using a set of proprietary metrics that enable comparative and longitudinal analysis of the narratives, the entities within the landscape, and the messaging of key groups.