

IMPACT INVESTING (B8355)

SPRING 2020

Professor Bruce Usher

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Office Hours: By appointment only

This course was previously called Impact Investing Seminar. The course content has been updated, but is otherwise the same course.

Class Schedule

Classes are on Thursdays from 2:15-5:30 pm, beginning Thursday, January 30th, in Warren 207.

COURSE DESCRIPTION

The Impact Investing course provides students with an overview of the entire spectrum of investing approaches used by impact investors. This is done through a combination of cases and lectures by the professor, and guest presentations by leading impact investors and thought leaders. The substantive areas covered include: (1) how investors and investment managers and advisors select and structure their impact investments; (2) the differing financial return and social impact return expectations of impact investors; and (3) the challenges and methodologies for measuring impact.

This course is designed around the different types of impact investments from the perspective of investors, and is composed of four modules:

1. *Responsible Investing* – socially responsible investing (SRI) is designed to screen public equity investments of companies or sectors believed to be causing social harm.
2. *Sustainable Investing* – also referred to as ESG investing, is designed to select public or private equity investments using fundamental analysis that incorporates environmental, social, and governance factors.
3. *Thematic Investing* – private equity and venture capital investments designed to earn a market risk-adjusted return while also addressing a specific social or environmental problem.
4. *Impact First Investing* – private investments designed primarily to address a social or environmental problem, with no expectation of achieving market returns.

COURSE OBJECTIVES

This course is designed for both MBA students planning a career in traditional investment management who want to understand this new and growing sector, and for students planning a career in social enterprise who want to understand impact investing *from the perspective of the investor*. This course does not examine the role of the social entrepreneur, or the process for raising capital from impact investors, but focuses solely on the sources of impact investing capital and the types of investments being made by impact investors.

REQUIRED COURSE MATERIAL

The Impact Investing course utilizes the following cases, articles and background readings. All material will be posted on Canvas.

Responsible Investing / Sustainable Investing - Public Equities

- Stanford Dumps Coal
- Goldman Sachs: Making an Imprint in Impact Investing

Sustainable Investing – Private Equity

- ESG Metrics: Reshaping Capitalism?
- Generation Investment Management
- Wellington Global Impact

Thematic Investing - Equity

- DBL Partners: Double Bottom Line Venture Capital
- Bridges Ventures

Thematic Investing – Debt and Real Assets

- Fresno’s Social Impact Bond for Asthma
- Morgan Stanley: Building Long-Term Sustainability
- Shift Capital: Transforming the North Kensington Neighborhood

Impact First Investing - Debt

- E+Co: A View from the Boardroom
- Root Capital and the Efficient Impact Frontier

Impact First Investing - Equity

- Financial Inclusion at Omidyar Network
- Acumen: Managing Towards Impact 2018

CONNECTION TO THE CORE

The learning in the course utilizes, builds on and extends concepts covered in the following core courses:

Core Course	Connection with Core
Corporate Finance	<ol style="list-style-type: none"> 1. Valuing bonds and stocks 2. The CAPM model & applications 3. Corporate governance
Global Economic Environment	<ol style="list-style-type: none"> 1. Exchange rates 2. Global capital flows
Managerial Economics	<ol style="list-style-type: none"> 1. The limits of markets 2. Agency and incentives

Students will be expected to have mastered these concepts and be able to apply them in the course.

Students who have previously taken Finance & Sustainability (B8349) will find significant overlap with this course; approximately 25% of the material is the same. Students who have completed Finance & Sustainability should only take Impact Investing if they have a serious interest in the subject matter.

ASSIGNMENTS

It is essential that every student carefully reads the assigned cases and comes to class prepared to actively participate and contribute to the class discussion. To make the most effective use of your time, the assigned readings will inform you of what cases and sections to focus on. Students will be required to complete short quiz questions on the case readings, due online in Canvas, prior to the start of each class. Completion of the poll questions will contribute towards your class participation grade.

The final exam is a take-home paper. The paper requires students to explain which of the different types of impact investments presented during the course is optimal for reaching the double bottom line goals of an impact investor. The final paper is no more than 5 pages plus exhibits.

METHOD OF EVALUATION

This course utilizes readings, cases and guest speakers. Most of the classes will begin with a lecture and case discussion led by the professor, followed by a guest speaker. The guest speakers are primarily investors or asset managers from the impact investing sector, providing an opportunity for students to meet industry specialists. This course requires active class participation, and students' grades will be heavily dependent on the quality of class discussion. Grades will be based on:

Class participation (including quiz responses)	50%
Final take-home paper (Type C - individual)	50%

CLASSROOM NORMS AND EXPECTATIONS

Students are required to prepare for each class by reading and analyzing the assigned cases, utilizing the study guidance questions which are provided in the Canvas system. Students are expected to add thoughtful analysis to each class discussion.

There is a “no devices” policy in this course. Please leave your phones and computers off. Violations of this policy will lead to deductions from a student’s class participation grade.

Students are requested to sit in the same seat for the duration of the course to enhance class discussion and facilitate grading of class participation. Please choose your seat in the first class.

ATTENDANCE POLICY

Students are required to attend each class. Students should contact the TA regarding excused absences (for religious observances; personal, medical, and family emergencies; military service; court appearances such as jury duty). Unexcused absences will affect your participation grade and your overall course grade.

- Students that miss more than 33% of their classes (unexcused absences) will at most receive a P for the course grade.
- Students that miss more than 50% of their classes (unexcused absences) will receive an F for the course grade.

INCLUSION, ACCOMODATIONS, AND SUPPORT FOR STUDENTS

Columbia Business School will make reasonable accommodations for persons with documented disabilities. Students are encouraged to contact the Columbia University’s Office of Disability Services for information about registration. Students seeking accommodation in the classroom may obtain information on the services offered by Columbia University’s Office of Disability Services online at www.health.columbia.edu/docs/services/ods/index.html or by contacting (212) 854-2388.

Columbia Business School is committed to maintaining a safe environment for students, staff and faculty. Because of this commitment and because of federal and state regulations, we must advise you that if you tell any of your instructors about sexual harassment or gender-based misconduct involving a member of the campus community, your instructor is required to report this information to a Title IX Coordinator. They will treat this information as private, but will need to follow up with you and possibly look into the matter. Counseling and Psychological Services, the Office of the University Chaplain, and the Ombuds Office for Gender-Based Misconduct are confidential resources available for students, staff and faculty. “Gender-based misconduct” includes sexual assault, stalking, sexual harassment, dating violence, domestic violence, sexual exploitation, and gender-based harassment. For more information, see <http://sexualrespect.columbia.edu/gender-based-misconduct-policy-students>.