IMPACT INVESTING SEMINAR (B8355)

SPRING 2018

Professor Bruce Usher

Uris Hall 316A

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Office Hours: By appointment only

Class Schedule
Classes are on Wednesdays from 2:15-5:30 pm, beginning Wednesday, January 24th, in Warren 208. Note that there is a make-up class on Friday, February 23rd from 1:00-4:00 pm in Uris 141, as there is no class on Wednesday, January 31st.

REQUIRED COURSE MATERIAL
The Impact Investing Seminar utilizes the following cases, articles and background readings:

Introduction to Impact Investing / Responsible Investing
  o The Norwegian Government Pension Fund: Divestiture of Wal-Mart
  o Stanford Dumps Coal

Sustainable Investing
  o ESG Metrics: Reshaping Capitalism?
  o Generation Investment Management

Thematic Investing – Equity
  o Social Impact Investing Will be the New Venture Capital (HBR H009ZJ)
  o DBL Partners: Double Bottom Line Venture Capital (217-022)
  o Bridges Ventures (514-001)

Thematic Investing – Debt
  o Fresno’s Social Impact Bond for Asthma (515-028)
  o What is a Green Bond and Why Does it Work? (in Library Reserves)
  o Green grow the markets, O (in Library Reserves)

Impact First Investing - Debt
  o E+Co: A View from the Boardroom

Impact First Investing - Equity
  o Aspada: In Search of the Right Structure for Impact Investing (314-099)
  o Acumen Fund and Embrace (SM-191)
REQUIRED PREREQUISITES AND CONNECTION TO THE CORE

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

<table>
<thead>
<tr>
<th>Core Course</th>
<th>Connection with Core</th>
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<tbody>
<tr>
<td>Corporate Finance</td>
<td>1. Time value of money</td>
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<td></td>
<td>2. Efficient markets</td>
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<td></td>
<td>3. Risk</td>
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<tr>
<td>Decision Models</td>
<td>1. Use of analysis in decision making</td>
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<td></td>
<td>2. Decision making under uncertainty and risk</td>
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<tr>
<td>Global Economic</td>
<td>1. Role of financial markets in the economy</td>
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<tr>
<td>Environment I</td>
<td>2. Exchange rates</td>
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<tr>
<td>Managerial Economics</td>
<td>1. Analyzing complex decision making under uncertainty</td>
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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 30% of the material is the same. Students who have completed Finance & Sustainability should only take the Impact Investing Seminar if they have a serious interest in a career related to impact investing sector.*

COURSE DESCRIPTION

This course is intended to provide students with an overview of the range of investing approaches used by impact investors. This will be 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 will include: (1) financial instruments used to fund social enterprises (for-profit, nonprofit and hybrids); (2) the differing financial return and social impact return expectations of impact investors; (3) how investors and investment/wealth managers and advisors structure their impact investments; and (4) strategies used by impact investors to search for impact investing opportunities. As well as investor perspectives, the course will explore the role of financial innovation in the financing of social enterprises.

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 the potential impact of their work and for students planning a career in social enterprise 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 for a social venture, but focuses solely on the various sources of impact investing capital and the types of investments being made by impact investors.

ASSIGNMENTS

As this is predominantly a case based course, 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 will utilize 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, responses to the quiz questions ahead of the class, and the final take-home paper.

| 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.