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Office Hours: By Appointment and Before and After Class

Dates and Time: Wednesdays September 18th to December 18th 6-9 PM
Location: TBD

Course Description:

Impact investments are made with the intention of generating social and environmental impact in addition to a financial return. While this approach has long existed within the public sector and non-governmental organizations (NGOs), major investors, asset managers and advisors such as BlackRock and Merrill Lynch are now expanding their efforts to integrate environmental, social and governance (ESG) factors into their investment processes and products in order to successfully address challenges such as energy, water, community development, health, sustainable development and education. Innovative design of financial instruments like pay for success financings and microfinance guarantee funds are opening up new sources of funding and new ways to incentivize performance in both public sector entities and NGOs while simultaneously attracting commercial capital.

This course is designed for students who want to better understand how investment mechanisms can be structured to solve critical social and environmental challenges and be well positioned to work in the expanding impact investing industry. The class will draw from the fields of finance, microeconomics, theories of change, public policy, impact measurement, and investment management to evaluate specific cases and investment tools in areas such as environmental markets and climate change, public finance, microfinance, health and poverty alleviation. We will also explore the proliferation of ESG data and products in the capital markets and their applications. The format will be a combination of readings, lectures, case discussions, guest speakers and team presentations. Experts will join the class to share their current experiences in this quickly evolving field. Student teams will perform financial due diligence and present impact investing strategies in specific sectors as part of a semester long project. Foundations of Finance or an equivalent course is a prerequisite for the class.

Course Philosophy:

The fields of investment and environmental and social policy development have operated separately despite the fact that many challenges facing the world require integrated solutions that can successfully combine the capital markets with policy objectives. Traditional models describing the interaction of the private and public sectors do not capture the complexity of how private investors, philanthropists, NGOs and the public sector are now working together. We will consider how capital markets, asset management and investment and commercial banking can be harnessed to create positive environmental and social impacts.

Course Learning Objectives:

- Provide students with the concepts, frameworks and models to source, analyze and fund impact investments across asset classes and impact themes.
- Introduce students to the theoretical basis for impact investing, e.g. externalities, financial and social trade-offs, systems analysis, market failures, shared value and blended value investing.
- Provide access to current industry-specific resources including industry experts and research.
- Introduce students to theories of change and impact evaluation frameworks and how these can supplement traditional risk and return models. How can social and environmental impact be evaluated and used to drive future investment decisions?
- Analyze the effectiveness of the range of impact investing tools and tactics currently available to impact investors. These include direct and fund investments, guarantees and credit enhancements, the role of subsidy, positive and negative screening and shareholder engagement. In which situations do these models succeed and where might they fail?
- Map impact investing opportunities against existing product offerings and explore the gaps. What lessons and structures can be applied from traditional capital markets to impact investing?
- Understand the segmentation and distinct roles of specific impact investors: institutional (pension funds, foundations and endowments), corporations, public sector (multi-laterals, federal, state, local), high net-worth and family offices, and retail investors. Who are these investors and how do they approach impact investment decisions?
- Explore the role of funds, fund managers and other intermediaries and vehicles in impact investing.
- Provide student teams the opportunity to create and structure new impact investment strategies and vehicles that meet the sector and financial

requirements of specific investors. Students will map the existing investment landscape and may develop new impact investment products.

- Provide students with access to innovative practitioners and organizations and provide them with career role models in impact investing.

Course Schedule and Sessions:

Session	
Session 1:	<p>Introduction to Course and Concepts: The Case for Creating Impact from the Investor’s Perspective</p> <p>Required Readings: Cole, Shawn, Vikram Gandhi and Caitlin Reimer Brumme, “Background Note: Introduction to Investing for Impact,” 2018, HBS Case 9-218-072, Course Pack.</p> <p>Global Impact Investing Network, Roadmap for the Future of Impact Investing, 2018, PDF on NYUC.</p> <p>US SIF Foundation, The Impact of Sustainable and Responsible Investment, June 2016, Executive Summary and Introduction, PDF on NYUC.</p> <p>Recommended Impact Investing Readings for Throughout the Semester:</p> <p>T100 Launch Report: Insights from the Frontier of Impact Investing, TONIIC, 2016, PDF on NYUC.</p> <p>Trelstad, Brian, “Impact Investing: A Brief History,” Capitalism and Society: Vol. 11: Issue. 2, Article 4, 2016, PDF on NYUC.</p> <p>Short Guide to Impact Investing, Case Foundation, 2015, PDF on NYUC.</p> <p>Godeke, Steven and Raul Pomares, Solutions for Impact Investors: From Strategy To Implementation, Rockefeller Philanthropy Advisors, (Introduction and Chapter 4), 2009, PDF on NYUC.</p> <p>Porter, Michael - Why business can be good at solving social problems? https://www.youtube.com/watch?v=0ilh5YYDR2o</p> <p>Some Suggested Websites:</p> <ol style="list-style-type: none"> 1) www.thegiin.org 2) www.impactalpha.com 3) www.impactmanagementproject.com 4) www.acumen.org 5) www.rockefellerfoundation.org/our-work/initiatives/innovative-finance/ 6) ssir.org/articles/category/impact_investing

	<p>7) www.socialimpactinvestment.org 8) www.toniic.com</p>
<p>Session 2:</p>	<p>Theories of Change and Impact Measurement</p> <p>Required Readings: Cole, Shawn, Vikram Gandhi and Caitlin Reimer Brumme, "Background Note: Examining the Case for Investing for Impact," HBS Case 9-218-083, Course Pack.</p> <p>Grantcraft, The Ford Foundation, "Mapping Change: Using a Theory of Change to Guide Planning and Evaluation," PDF on NYUC.</p> <p>Video: Bridgespan, "Intended Impact and Theory of Change," YouTube, October 15, 2012: https://www.youtube.com/watch?v=_NSiINWfFAkc</p> <p>Video: "Formulating an Investment Thesis": https://www.youtube.com/watch?v=ZQldfmvl4wg</p> <p>Recommended Readings: Harvard Business School Social Enterprise Initiative, Measuring the Impact in Impact Investing, 2014, PDF on NYUC.</p> <p>Jackson, Edward T., Interrogating The Theory of Change: Evaluating Impact Investing Where It Matters Most, <u>Journal of Sustainable Finance & Investment</u>, 3:2, 95-110, 2013, PDF on NYUC.</p>
<p>Session 3:</p>	<p>Applying Impact Measurement Models: Acumen and Systemic Frameworks</p> <p><u>Required Readings:</u> Cole, Shawn, V. Kasturi Rangan, Alnoor Ebrahim, and Caitlin Reimer Brumme, "Acumen: Managing Towards Impact 2018," HBS Case 9-218-086, Course Pack.</p> <p>Guest Speaker: TBD</p> <p><u>Recommended Readings and Resources:</u> Review GIIN's IRIS website and video: https://iris.thegiin.org/</p> <p>Brest, Paul, and Kelly Born, "When Can Impact Investing Create Real Impact?" Stanford Social Innovation Review, Fall 2013, https://ssir.org/articles/entry/impact_investing</p> <p>B Lab, review website: www.bcorporation.net/what-are-b-corps/about-b-lab</p> <p>B Corps: "Why companies are becoming B Corporations" Harvard Business Review https://hbr.org/2016/06/why-companies-are-becoming-b-corporations</p>

	<p>Hebb, Tessa and Bhatt, A Beginners Guide to Impact Measurement, US Conference Board, 2014, PDF on NYUC.</p>
<p>Session 4:</p>	<p>Environmental Finance: Eco-System Services, Real Assets & Water, Climate Change</p> <p><u>Required Readings:</u> Ecosystem Marketplace, A Forest Trends Initiative, “State of Private Investment in Conservation 2016: A Landscape Assessment of an Emerging Market, PDF on NYUC.</p> <p>Conservation Finance From Niche to Mainstream: The Building of an Institutional Asset Class, Credit Suisse, 2016, PDF on NYUC.</p> <p>The 21st Century Investor: CERES Blueprint for Sustainable Investing, 2016, PDF on NYUC.</p> <p>Helbling, T., What are externalities? Finance & Development (December 2010)</p> <p>Video: http://myimpact-academy.com/course/introduction-did-you-know-green-bonds-in-2-minutes</p> <p>Guest Speaker: TBD</p> <p>Selected Websites:</p> <ul style="list-style-type: none"> • www.ecosystemmarketplace.com • www.conservationfinance.ch/resources/ • www.conservationfinancenetwork.org
<p>Session 5:</p>	<p>Theories of Development and Financial Inclusion</p> <p>Required Readings: Chu, Michael and Regina Garcia Cuellar, “Banco Compartamos: Life After the IPO,” HBS Case 9-308-094, 2008, Course Pack.</p> <p>De Soto, Hernando, “The Mystery of Capital, Finance and Development,” IMF, March 2001, http://www.imf.org/external/pubs/ft/fandd/2001/03/desoto.htm.</p> <p>Recommended Readings: Rosenberg, Richard, “CGAP Reflections on the Compartamos Initial Public Offering: A Case Study on Microfinance Interest Rates and Profits,” CGAP Economic Development Unit, PDF on NYUC.</p> <p>Compartamos, “A Letter to our Peers,” PDF on NYUC.</p> <p>Bamboo Finance, 2017 Impact Report, PDF on NYUC.</p> <p><u>Guest Speaker:</u> TBD</p>

	<p style="text-align: center;">Preliminary Outline of Team Project Due</p>
<p>Session 6:</p>	<p>Climate Change and Divestment</p> <p>Climate Change Investing. NYU Endowment Fossil Fuel Divestment Debate Simulation</p> <p><u>Required Readings:</u></p> <p>NYU Report of the Fossil Fuel Divestment Working Group, 2015, PDF on NYUC.</p> <p>Divest Invest, How To Guide for Institutional Investors, 2018, PDF on NYUC.</p> <p>Rockefeller Brothers Fund, Divestment Statement, 2016.</p> <p><u>Recommended Readings:</u></p> <p>Mercer and the Center for International Environmental Law, “Trillion Dollar Transformation: Guide to Climate Change Investment Risk Management for US Public Defined Benefit Trustees, 2016.</p> <p>“Rockefeller Brothers Fund: A Case Study in Impact Investing,” Ariella Rotenberg and Sam Bonsey, The ImPact 2016, http://theimpact.org/wp-content/uploads/2016/09/TheImPact_RBFCCaseStudy_2016lowres.pdf</p> <p>Group Project Working Session</p>
<p>Session 7:</p>	<p>Structuring Impact Investments</p> <p><u>Required Readings:</u></p> <p>Gandhi, Vikram, Caitlin Reimer Brumme and James Barnett, Financial Inclusion at Omidyar Network, 2018, HBS Case 9-318-004, Course Pack.</p> <p>OECD and World Economic Forum. Blended Finance Vol. 1: A Primer for Development Finance and Philanthropic Funders. 2015.</p> <p>Bannick, Matt, Paula Goldman, Michael Kubzansky, and Yasemin Saltuk, “Across the Returns Continuum,” <u>Stanford Social Innovation Review</u>,</p>

	<p>Winter 2017, https://ssir.org/articles/entry/across_the_returns_continuum</p> <p>Guest Speaker: TBD</p>
<p>Session 8:</p>	<p>Navigating Intermediaries: Impact Investment Fund Managers, Financial Advisors and Consultants</p> <p>Jessie Smith Noyes Foundation Letter of Interest and Request for Proposals as Case Study for Social Justice Investing, PDF on NYUC.</p> <p>Jessie Smith Noyes Foundation, Building Power Across the Impact Investing Field, https://www.noyesadvisorsearch.org/</p> <p>Wood, David, "Why and How Might Investors Respond to Economic Inequality," Initiative for Responsible Investment 2016</p> <p>CalPERS – Investment Beliefs, 2013</p> <p>Barron’s Penta, “Family Foundations: Millennials Take Charge,” December 10, 2016, http://www.barrons.com/articles/family-foundations-millennials-take-charge-1481346318.</p> <p>Video: James Gifford - http://myimpact-academy.com/course/family-offices-and-impact-investing/</p>
<p>Session 9:</p>	<p>Pay for Success Financing, Social Impact Bonds and Public Private Partnerships</p> <p><u>Required Readings:</u> Goldberg, Steven, Early Childhood Education and Child Abuse Prevention Social Impact Bond Case Studies, 2013, PDF on NYUC.</p> <p>Godeke, Steven and Lyel Resner, “Building a Healthy and Sustainable Social Impact Bond Market: The Investor Landscape,” Rockefeller Foundation, 2012, PDF on NYUC.</p> <p>Gustafsson-Wright, Emily, “The Potential and Limitations of Impact Bonds: Lessons from the First Five Years of Experience Worldwide,” Brookings, 2016, PDF on NYUC.</p> <p>Video: Social Impact Bonds - http://myimpact-academy.com/course/lecture-paul-brest-impact-investing-and-social-impact-bonds/</p> <p><u>Guest Speaker:</u> TBD</p>
<p>Session 10:</p>	<p>Integrating ESG into Public Markets, Standards and Reporting</p> <p><u>Required Readings:</u> Sandra J. Sucher, Matthew Preble, “Generation Investment</p>

	<p>Management,” HBS Case 9-613-002, Course Pack.</p> <p>Mozaffar Khan, George Serafeim, and Aaron Yoon, “Corporate Sustainability: First Evidence on Materiality,” Working Paper, PDF on NYUC.</p> <p>Goldman Sachs Sustain ESG Report, April 2018, PDF on NYUC.</p> <p>Diamond, Randy. “CalPERS starts process of revamping ESG plan.” Pensions & Investments, January, 2016. http://www.pionline.com/article/20160119/ONLINE/160119876/calpers-starts-process-of-revamping-es-g-plan</p> <p>Guest Speakers: TBD</p>
Session 11:	<p>Innovations in Impact Investing and Market Infrastructure</p> <p><u>Required Readings:</u> Cole, Shawn, Boris Vallee and Nicole Tempest Keller, “OpenInvest,” HBS Case 9-218-064, Course Pack.</p> <p>Impact Investing 2.0 – The Way Forward: Insight from 12 Outstanding Funds, November 2013, NYUC.</p> <p>Case Studies of 6 Funds from Impact Investing 2.0 Report, NYUC</p> <p>Impact Investing 2.0 Video: https://www.youtube.com/watch?v=8Hv0Xs--gnc&feature=youtu.be</p>
Session 12:	<p>Team Project Pitches to Impact Investors</p> <p>Presentations and Written Reports Due</p>

Breakdown of Course Requirements:

Activity	% of Total Grade
Investment Team Presentations and Final Report	50%
Class Participation & 2 Written Cases or Reading Analysis	50%
Total	100%

Course Readings:

All required readings are either available on the NYU Classes site or part of an electronic coursepack that has been created and available through the NYU Bookstore. On the NYU Class site, the readings are in folders for each week. Study questions will be provided for most of the cases the week before the case is discussed in class. The Recommended Readings each week are optional and include materials which will

supplement your knowledge in a specific area. These should also be helpful for the Team Projects.

Relevant materials and articles are also posted on my website: www.godekeconsulting

Course Deliverables:

Class Attendance and Participation:

The course will use the case method with students coming to each class prepared to discuss the case study and required readings. Students are required to attend all classes. Unexcused absences will negatively affect grades.

Some sessions will combine guest speakers from specific sectors with related cases studies. Students will also be encouraged to sign up to coordinate the guest speakers' visits and to then introduce the guest speaker. Each student will also be assigned two case write-ups at the first class session. These 4-page case analyses should not simply summarize the information, but should present specific questions and issues and take a point of view. The case should be submitted via email prior to the class in which the material is covered.

Team Investment Project:

Teams (maximum of 4 students each) will select specific impact themes such as health, education or climate change and an investor profile (e.g. pension fund, high net worth, family office or retail individual). The teams will then develop an impact capital allocation strategy based on investment products currently in the market and the type of impact that the investor is targeting. The impact investing strategies should include possible policy approaches, a theory of change, return expectations, social and environmental metrics and impact measurement, and possible co-investors and partners. It may also identify gaps in the market's current product offering.

Students are encouraged to propose projects where they bring interest and/or experience. Team projects in the last couple of years have included:

- private equity fund investing in enterprises employing formerly incarcerated people;
- anti-gentrification real estate fund;
- immigrant empowerment fund;
- fossil fuel divestment strategy for NYU;
- innovative student loan funds; and
- circular economy fund.

Student teams will be formed by the end of the second class and should combine diverse experience and backgrounds. Preliminary outlines will be due on Week 5 of the course.

Team Deliverables:

Each team will make a 20-minute presentation in class on Week 12 of the course. A group of impact investors practitioners will attend the final presentations and will provide comments.

In addition to the presentation, each team will submit a 15-page impact investment prospectus that outlines the team's investment strategy, theory of change and target investments.